Swing Acquisition ApS

c/o Bech-Bruun, Langelinie Allé 35, DK-2100 København Ø

Annual Report for
30 March 2022 - 31 December 2022

CVR No. 43 17 33 67

The Annual Report was presented and adopted at the Annual General Meeting of the company on 27/7 2023

Mark Christopher Wagner
Chairman of the general meeting

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Management's statement

The Executive Board has today considered and adopted the Consolidated Financial Statements and Parent Company Financial Statements of Swing Acquisition ApS for the financial year 30 March - 31 December 2022.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2022.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Consolidated Financial Statements and Parent Company Financial Statements be adopted at the Annual General Meeting.

København Ø, 27 July 2023

Executive Board

Mark Christopher Wagner CEO	Haresh Shah CEO

Independent Auditor's report

To the shareholder of Swing Acquisition ApS

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2022 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 30 March - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Swing Acquisition ApS for the financial year 30 March - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows (”the Financial Statements”).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the ”Auditor's responsibilities for the audit of the Financial Statements” section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group´s and the Parent Company´s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's report

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group´s and the Parent Company´s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group´s and the Parent Company´s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's report

Aarhus C, 27 July 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Henrik Berring Rasmussen	Linda Højland
State Authorised Public Accountant	State Authorised Public Accountant
mne34157	mne45871

Company information

The Company	Swing Acquisition ApS c/o Bech-Bruun Langelinie Allé 35 DK-2100 København Ø CVR No: 43 17 33 67 Financial period: 30 March - 31 December Municipality of reg. office: Copenhagen
Executive Board	Mark Christopher Wagner Haresh Shah
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Jens Chr. Skous Vej 1 8000 Aarhus C

Financial Highlights

Seen over a 1-year period, the development of the Group is described by the following financial highlights:

	Group
	2022
	TUSD 9 months
Key figures	
Profit/loss	
Revenue	39,089
Gross profit/loss	5,402
Profit/loss of ordinary primary operations	-3,745
Profit/loss before financial income and expenses	-3,745
Profit/loss of financial income and expenses	-2,125
Net profit/loss	-5,665
Balance sheet	
Balance sheet total	97,663
Investment in property, plant and equipment	1,482
Equity	44,872
Cash flows	
Cash flows from:	
- operating activities	4,418
- investing activities	509
- financing activities	-1,439
Change in cash and cash equivalents for the year	3,488
Number of employees	261
Ratios	
Return on assets	-3.8%
Solvency ratio	45.9%
Return on equity	-25.2%

Management's review

Key activities

The company's purpose is to develop, produce and sell electric vehicles and other related products.

Development in the year

Overall, the positive sales development is considered satisfactory in the operating entities Garia ApS and Melex. The development is driven by a positive development within all product segments. The year is also marked by a change in the ownership structure of the operating entities, where Club Car LLC, a worldwide company within the golf segment, took over 100% of the Garia group as of 1/6-2022. Before the sale to Club Car, Garia also took over Melex, which is a significant player in the Utility market. The change in the ownership structure and the acquisition of Melex have overall increased Swing's position on both the golf car and utility market. As a consequence, the annual report shows a result of USD -5,665,027.

The company's equity per 31 December 2022 amounts to USD 44,871,920.

The past year and follow-up on development expectations from last year

Overall, sales exceeded expectations, driven by increased sales in both the US and the rest of the world. The positive development in sales applies to both the Golf and Utility segments. The year has also been affected by the change in the ownership structure, which has postponed the expected synergy effects on the production side. As a result, gross profit has developed below expectations.

Special risks - operating risks and financial risks

Financial exchange rate risks against USD and SEK can affect the company positively as well as negatively.

Research and development

The company is constantly developing vehicles with a view to future sales of new models. There is no ongoing research in the company.

External environment

The company is dependent on political decisions within the green transition and regulations for vehicles, including subclasses and categories. The potential implementation of electric vehicle taxes could affect sales to both the Utility and private segments globally.

Intellectual capital resources

The completed development of the new Garia SuperSport, the design of which was developed in collaboration with Mercedes Benz, has brought the company new technologies within electronics and electric powertrain components. The N1 approved Utility has also added new knowledge about crash tests and makes Garia better equipped as a manufacturer of small vehicles.

Statement of corporate social responsibility

For 2022 there were no integrated policies, targets, and data set in accordance with section 99a, and therefore there is no reporting for this financial year.

The Group was established on 31 May 2022 from two independent entities Garia and Melex, which each were not subject to mandatory reporting on Corporate Social Responsibility. While Corporate Social Responsibility is integrated in daily management, policies and activities are not yet consolidated and formalised in a form to represent the new Group in the 2022 annual report.

Integration of ESG and CSR in the new Group is high on Management's agenda, and for 2023 the Group will present formalised ESG policies, targets, and data in accordance with section 99a.

Management's review

Statement on gender composition

Diversity among management and employees is central for the continuous development and success of Swing Acquisition. Swing Acquisition has a policy on gender equality that seeks to increase the number of women in key positions at all organizational levels.
All interested and capable candidates are encouraged to apply for positions within Swing Acquisition, regardless of gender, culture or age.

Statement on data ethics

Swing Acquisition has extensive procedures regarding compliance and GDPR, including process descriptions and incident reporting. Since Swing Acquisition does not work with machine learning, and operates within the B2B business, we believe that data ethical risks have been sufficiently covered by GDPR processes, therefore no formal data ethics policy has been developed at this point in time.

Uncertainty relating to recognition and measurement

There has been no uncertainty regarding recognition and measurement in the Annual Report.

Unusual events

The company's assets, liabilities and financial position as of 31 December 2022 as well as the result of the company's activities for 2021/22 have been affected by the integration with Melex and the change in the ownership structure, where Club Car as the new owner is expected to be able to create positive sales opportunities throughout the world.

Subsequent events

No circumstances have occurred after the balance sheet date that have a significant influence on the assessment of the annual report.

Income statement 30 March - 31 December

	Note	Group 2022 USD 9 months	Parent company 2022 USD 9 months
Revenue	1	39,089,409	0
Expenses for raw materials and consumables		-33,808,197	0
Other external expenses		121,003	-913,464
Gross profit/loss		**5,402,215**	**-913,464**
Staff expenses	2	-5,476,814	0
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	3	-3,670,310	0
Profit/loss before financial income and expenses		**-3,744,909**	**-913,464**
Income from investments in subsidiaries	4	0	-2,865,737
Financial income	5	280,783	0
Financial expenses	6	-2,405,537	-1,885,826
Profit/loss before tax		**-5,869,663**	**-5,665,027**
Tax on profit/loss for the year	7	204,636	0
Net profit/loss for the year	8	**-5,665,027**	**-5,665,027**

Balance sheet 31 December

Assets

	Note	Group 2022 USD	Parent company 2022 USD
Acquired trademarks		10,503,647	0
Acquired other similar rights		12,520,340	0
Goodwill		34,274,502	0
Intangible assets	9	**57,298,489**	**0**
Land and buildings		4,930,860	0
Other fixtures and fittings, tools and equipment		3,174,422	0
Leasehold improvements		107,326	0
Property, plant and equipment in progress		1,309,128	0
Property, plant and equipment	10	**9,521,736**	**0**
Investments in subsidiaries	11	0	79,518,241
Other receivables		644,250	0
Fixed asset investments		**644,250**	**79,518,241**
Fixed assets		**67,464,475**	**79,518,241**
Raw materials and consumables		14,564,482	0
Finished goods and goods for resale		4,867,585	0
Inventories		**19,432,067**	**0**
Trade receivables		6,844,952	0
Other receivables		58,823	0
Corporation tax		269,730	0
Prepayments		105,696	0
Receivables		**7,279,201**	**0**
Cash at bank and in hand		**3,487,594**	**0**
Current assets		**30,198,862**	**0**
Assets		**97,663,337**	**79,518,241**

Balance sheet 31 December

Liabilities and equity

	Note	Group 2022 USD	Parent company 2022 USD
Share capital		5,982	5,982
Other statutory reserves		-1,040,522	-1,040,522
Retained earnings		45,906,460	45,906,460
Equity		**44,871,920**	**44,871,920**
Provision for deferred tax	12	5,539,173	0
Provisions		**5,539,173**	**0**
Lease obligations		232,617	0
Other payables		503,560	0
Long-term debt		**736,177**	**0**
Credit institutions		2,288,088	0
Lease obligations		97,203	0
Trade payables		7,393,700	0
Payables to group enterprises		34,646,321	34,646,321
Other payables		1,999,538	0
Deferred income		91,217	0
Short-term debt		**46,516,067**	**34,646,321**
Debt		**47,252,244**	**34,646,321**
Liabilities and equity		**97,663,337**	**79,518,241**

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Statement of changes in equity

Group

	Share capital	Other statutory reserves	Retained earnings	Total
	USD	USD	USD	USD
Equity at 30 March	5,982	0	0	5,982
Exchange adjustments	0	-1,040,522	0	-1,040,522
Contribution from group	0	0	51,571,487	51,571,487
Net profit/loss for the year	0	0	-5,665,027	-5,665,027
Equity at 31 December	**5,982**	**-1,040,522**	**45,906,460**	**44,871,920**

Parent company

	Share capital	Other statutory reserves	Retained earnings	Total
	USD	USD	USD	USD
Equity at 30 March	5,982	0	0	5,982
Exchange adjustments	0	-1,040,522	0	-1,040,522
Contribution from group	0	0	51,571,487	51,571,487
Net profit/loss for the year	0	0	-5,665,027	-5,665,027
Equity at 31 December	**5,982**	**-1,040,522**	**45,906,460**	**44,871,920**

Cash flow statement 30 March - 31 December

	Group	
	Note	2022
		USD
Result of the year		-5,665,027
Adjustments	13	5,590,428
Change in working capital	14	4,326,857
Cash flow from operations before financial items		**4,252,258**
Financial income		280,783
Financial expenses		-154,408
Cash flows from ordinary activities		**4,378,633**
Corporation tax paid		39,036
Cash flows from operating activities		**4,417,669**
Purchase of property, plant and equipment		-1,482,341
Fixed asset investments made etc		-644,250
Sale of fixed asset investments made etc		111,321
Business acquisition		2,523,992
Cash flows from investing activities		**508,722**
Reduction of lease obligations		143,910
Raising of loans from credit institutions		-1,582,707
Cash flows from financing activities		**-1,438,797**
Change in cash and cash equivalents		**3,487,594**
Cash and cash equivalents at 31 December		**3,487,594**
Cash and cash equivalents are specified as follows:		
Cash at bank and in hand		3,487,594
Cash and cash equivalents at 31 December		**3,487,594**

Notes to the Financial Statements

	Group	Parent company
	2022	2022
	USD	USD

1. Revenue

In accordance with section 96(1) of the Danish Financial Statements Acts, disclosures on revenue broken down by business segments are not provided as the Company's Executive Board assess that such disclosures would be very detrimental to the Company.

	Group	Parent company
	2022	2022
	USD	USD

2. Staff Expenses

	Group	Parent company
Wages and salaries	4,191,709	0
Pensions	238,408	0
Other staff expenses	1,046,697	0
	5,476,814	**0**
Including remuneration to the Executive Board:		
Executive board	28,685	
	28,685	
Average number of employees	**261**	**0**

Notes to the Financial Statements

3. Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment

	Group	Parent company
	2022	2022
	USD	USD
Amortisation of intangible assets	2,983,122	0
Depreciation of property, plant and equipment	687,188	0
	3,670,310	**0**

4. Income from investments in subsidiaries

	Parent company
	2022
	USD
Share of profits	48,078
Amortisation of goodwill	-2,913,815
	-2,865,737

5. Financial income

	Group	Parent company
	2022	2022
	USD	USD
Other financial income	14,859	0
Exchange gains	265,924	0
	280,783	**0**

Notes to the Financial Statements

6. Financial expenses

	Group	Parent company
	2022	2022
	USD	USD
Interest paid to group enterprises	1,877,110	1,877,110
Other financial expenses	154,408	8,716
Exchange adjustments, expenses	374,019	0
	2,405,537	**1,885,826**

7. Income tax expense

	Group	Parent company
	2022	2022
	USD	USD
Current tax for the year	76,273	0
Deferred tax for the year	-222,994	0
Adjustment of tax concerning previous years	-57,915	0
	-204,636	**0**

8. Profit allocation

	Parent company
	2022
	USD
Retained earnings	-5,665,027
	-5,665,027

Notes to the Financial Statements

9. Intangible fixed assets

Group

	Acquired trademarks	Acquired other similar rights	Goodwill
	USD	USD	USD
Cost at 30 March	0	0	0
Net effect from merger and acquisition	10,819,207	13,064,703	36,397,701
Cost at 31 December	10,819,207	13,064,703	36,397,701
Impairment losses and amortisation at 30 March	0	0	0
Amortisation for the year	315,560	544,363	2,123,199
Impairment losses and amortisation at 31 December	315,560	544,363	2,123,199
Carrying amount at 31 December	**10,503,647**	**12,520,340**	**34,274,502**
Amortised over	20 years	15 years	10 years

10. Property, plant and equipment

Group

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress
	USD	USD	USD	USD
Cost at 30 March	0	0	0	0
Net effect from merger and acquisition	5,103,886	3,588,121	112,972	32,925
Additions for the year	0	173,593	32,545	1,276,203
Disposals for the year	0	-111,321	0	0
Cost at 31 December	5,103,886	3,650,393	145,517	1,309,128
Impairment losses and depreciation at 30 March	0	0	0	0
Depreciation for the year	173,026	475,971	38,191	0
Impairment losses and depreciation at 31 December	173,026	475,971	38,191	0
Carrying amount at 31 December	**4,930,860**	**3,174,422**	**107,326**	**1,309,128**
Amortised over	38 years	2-5 years	5 years	0 years

	Parent company
	2022
	USD

11. Investments in subsidiaries

Additions for the year	83,424,500
Cost at 31 December	83,424,500
Exchange adjustment	-1,040,522
Net profit/loss for the year	48,078
Amortisation of goodwill	-2,913,815
Value adjustments at 31 December	-3,906,259
Carrying amount at 31 December	**79,518,241**
Positive differences arising on initial measurement of subsidiaries at net asset value	56,827,202

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Ownership
Garia ApS	Denmark	100%
Garia Inc.	USA	100%
Melex Sp.z.o.o.	Poland	100%

	Group	Parent company
	2022	2022
	USD	USD

12. Provision for deferred tax

Amounts recognised in the income statement for the year	-222,994	0
Amounts recognised in equity for the year	5,762,167	0
Deferred tax liabilities at 31 December	**5,539,173**	**0**

13. Cash flow statement - Adjustments

	Group 2022 USD
Financial income	-280,783
Financial expenses	2,405,537
Depreciation, amortisation and impairment losses, including losses and gains on sales	3,670,310
Tax on profit/loss for the year	-204,636
	5,590,428

14. Cash flow statement - Change in working capital

	Group 2022 USD
Change in inventories	-878,077
Change in receivables	-734,589
Change in other provisions	63,913
Change in trade payables, etc	5,875,610
	4,326,857

15. Contingent assets, liabilities and other financial obligations

	Group 2022 USD	Parent company 2022 USD
Charges and security		
The following assets have been placed as security with mortgage credit institutes:		
Land and buildings with a carrying amount of	4,930,860	0
Inventory with a carrying amount of	911,600	0
Rental and lease obligations		
Obligation to designate buyer, operating leases. Expected residual value on expiry agreement	2,216,555	0
Lease obligations, period of non-terminability 12 months	96,897	0

Other contingent liabilities

Garia ApS has a warranty with the danish tax authority of	71,713	0

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable by the Group amounts to DKK 0. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Group's liability.

16. Related parties

	Basis
Controlling interest	
Club Car, LLC	Parent Company
MajorDrive Holdings, LLC	Ultimate Parent Company

Transactions

The sale of goods to subsidiaries amounts to kUSD 15,952, has been effected at arm's length.

Apart from the above, there have been no transactions with the Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany transactions and normal management remuneration.

	Group	Parent company
	2022	2022
	USD	USD

17. Fee to auditors appointed at the general meeting

Audit fee	101,302	6,702
Tax advisory services	8,000	4,000
Non-audit services	8,200	4,200
	117,502	**14,902**

Notes to the Financial Statements

18. Accounting policies

The Annual Report of Swing Acquisition ApS for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The Consolidated Financial Statements and the Parent Company Financial Statements for 2022 are presented in USD.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Swing Acquisition ApS, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Business combinations

Business acquisitions carried through on or after 1 July 2018

Acquisitions of subsidiaries are accounted for using the purchase method under which the identifiable assets and liabilities of the entity acquired are measured at fair value at the time of acquisition. Acquired contingent liabilities are recognised at fair value in the Consolidated Financial Statements to the extent that the value can be measured reliably.

The time of acquisition is the time when the Group obtains control of the entity acquired.

The cost of the entity acquired is the fair value of the consideration agreed, including consideration contingent on future events. Transaction costs directly attributable to the acquisition of subsidiaries are recognised in the income statement as incurred.

Positive differences between the cost of the entity acquired and identifiable assets and liabilities are recognised as goodwill in intangible assets in the balance sheet and are amortised in the income statement on a straight-line basis over their estimated useful lives. Where the differences are negative, they are recognised immediately in the income statement.

Where the purchase price allocation is not final, positive and negative differences from acquired subsidiaries due to changes to the recognition and measurement of identifiable net assets may be adjusted for up to 12 months after the time of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

Where cost includes contingent consideration, this is measured at fair value at the time of acquisition. Contingent consideration is subsequently measured at fair value. Any value adjustments are recognised in the income statement.

In respect of step acquisitions, any previously held investments in the entity acquired are remeasured at fair value at the time of acquisition. The difference between the carrying amount of the investment previously held and the fair value is recognised in the income statement.

Translation policies

USD is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

Income statements of foreign subsidiaries and associates that are separate legal entities are translated at transaction date rates or approximated average exchange rates. Balance sheet items are translated at the exchange rates at the balance sheet date. Exchange adjustments arising on the translation of the opening equity and exchange adjustments arising from the translation of the income statements at the exchange rates at the balance sheet date are recognised directly in equity.

Income statements of enterprises that are integrated entities are translated at transaction date rates or approximated average exchange rates; however, items derived from non-monetary balance sheet items are translated at the transaction date rates of the underlying assets or liabilities. Monetary balance sheet items are translated at the exchange rates at the balance sheet date, whereas non-monetary items are translated at transaction date rates. Exchange adjustments arising on the translation are recognised in financial income and expenses in the income statement.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as ”Other receivables” and ”Other payables”, respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

Income statement

Net sales

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Notes to the Financial Statements

In accordance with section 96(1) of the Danish Financial Statements Acts, disclosures on revenue broken down by business segments are not provided as the Company's Executive Board and Board of Directors assess that such disclosures would be very detrimental to the Company.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve the consolidated revenue for the year.

Other external expenses

Other external expenses comprise expenses for premises, sales as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees. The item is net of refunds made by public authorities.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item “Income from investments in subsidiaries” in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with . The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Notes to the Financial Statements

Balance sheet

Intangible fixed assets

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life of 10 years, determined on the basis of Management's experience with the individual business areas.

Other intangible fixed assets

are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans are not recognised in cost during construction and reconstruction periods.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Production buildings	40 years
Leasehold improvements	5 years
Other fixtures and fittings, tools and equipment	2-5 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment and investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Goodwill, head office buildings and other assets for which a separate value in use cannot be determined as the asset does not on an individual basis generate future cash flows are reviewed for impairment together with the group of assets to which they are attributable.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

Notes to the Financial Statements

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company’s experience from previous years.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

Deferred tax assets and liabilities are offset within the same legal tax entity.

Notes to the Financial Statements

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Financial debts

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Cash Flow Statement

The cash flow statement shows the Group’s cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group’s cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise ”Cash at bank and in hand”.

The cash flow statement cannot be immediately derived from the published financial records.

Notes to the Financial Statements

Financial Highlights

Explanation of financial ratios

Return on assets	Profit before financials x 100 / Total assets at year end
Solvency ratio	Equity at year end x 100 / Total assets at year end
Return on equity	Net profit for the year x 100 / Average equity