



Financial reporting 2011 and internal controls

The Auriga group has planned a number of internal controls to protect the company against losses and misappropriation of the company's assets and to ensure correct reporting.

Pursuant to the rules of procedure, the Audit Committee's mandate and Section 107b of the Danish Financial Statements Act (*Årsregnskabsloven*), a general outline is given below of the internal controls and risk management in relation to the company's financial reporting.

1.1. Control environment

The purpose of an effective control environment is to ensure compliance with both internal and external guidelines, acts, rules etc. The control environment is the overall framework for establishing effective internal controls.

The rules of procedure of the Board of Directors determine the division of work between the Board of Directors and the Executive Board.

The Board of Directors is responsible for laying down the general internal guidelines and directions based on the legislative framework. Pursuant to the EU Directive on statutory audits of annual accounts and consolidated accounts (8th Directive), the Danish Act on Approved Auditors and Audit Firms (*Revisorloven*) (Section 31(2)) and applicable recommendations on corporate governance, the Board of Directors has set up an Audit Committee. The Audit Committee is a committee appointed by the Board of Directors charged solely with preparing the decisions to be made by the Board of Directors as a whole.

The Executive Board is responsible for the day-to-day management of the company in compliance with the guidelines and directions issued by the Board of Directors. The Executive Board lays down the guidelines for the operational management of the company in a number of policies, procedures and directions and is also responsible for the ongoing risk management. Moreover, the Executive Board is responsible for preparing interim and annual reports.

The operational responsibilities are delegated to decentralised units in the group's matrix organisation. The organisational structure contributes to an effective control environment to which internal controls are delegated. Group Finance is responsible for monitoring the company's internal controls and for performing group-related control activities with a view to ensuring correct and complete financial reporting. The daily accounting and finance activities are performed by



local finance functions in accordance with internal guidelines and policies as well as local requirements.

1.2. Risk assessment

Auriga performs an ongoing assessment of the risk of losses and misappropriation of the company's assets as well as risks associated with the financial reporting process. The work involves the ongoing mapping of risks, an assessment of probabilities and potential consequences and the initiation of risk-limiting initiatives.

In the financial reporting, certain financial items are based on estimates or computed based on complex processes. These financial items may be associated with a relatively higher risk of error than other items. The management performs ongoing assessments of these items with a view to identifying particular risks and initiating supplementary action.

For the 2011 financial year, Deloitte acted as the external auditor of all major companies in the Auriga group. The external auditor draws up an annual auditing strategy and plan, which includes a risk assessment. Auriga's risk assessment is reconciled with this and includes the following areas, among others:

- Recoverable amount of goodwill – impairment testing
- Inventories
- Tax
- Development projects
- Receivables
- Provisions and contingent liabilities
- Fraud

1.3. Control activities

The purpose of control activities is to prevent, detect and correct any errors and irregularities, including fraud. Control activities are integrated into the group's accounting and reporting systems and financial reporting procedures. The closing of the interim financial statements follows a detailed plan and comprises, among other things, the reconciliation of significant financial items such as reconciliation of wages and salaries, bank accounts, receivables, payables and inventories. Moreover, all companies report monthly to a global consolidation system which contributes to correct and complete financial reporting. The company's assets are protected against losses and misappropriations through preventive and investigative controls and procedures.



To prevent fraud, such as losses or the misappropriation of cash funds and other assets, the following controls have been established:

- Preventive IT-based controls, including double authorisation of disbursements through electronic bank transfers.
- Investigative controls include, for example, the reconciliation of bank accounts, wages and salaries, inventory counts and other reconciliations in connection with the financial reporting process.

A functional separation of incompatible functions is part of the preventive control activities. In small subsidiaries where functional separation is difficult due to the small size of the finance function, supplementary actions are performed to compensate.

Financial reporting

Auriga applies uniform accounting policies in accordance with IFRS as described in the company's accounts manual. The accounts manual comprises accounting and assessment principles and reporting instructions and must be complied with by all group companies. The manual is updated and reviewed regularly, and compliance with the manual is monitored at group level.

In connection with the financial reporting, all subsidiaries submit reports based on a reporting package defined by Group Finance. The reporting package, which forms the basis of the annual report, is also audited or reviewed by Deloitte and signed by the local management. The reporting packages form the basis of the consolidation of the financial statements and notes for Auriga's financial reporting.

In connection with the presentation of the financial statements for the year, group controllers visit most of the group's subsidiaries and review the reporting package. The controller also attends the final audit meeting with Deloitte.

In 2012, a project will be launched with a view to further describing, strengthening and measuring the effectiveness of the group's internal controls.

Whistle-blower system

The group has had a whistle-blower system for several years, which means that suspicions of non-compliance with the group's business principles can be reported anonymously by mail or through personal contact to the chairman of the CSR committee. In 2011, the whistle-blower function was further strengthened through the appointment of an external lawyer who considers cases submitted via the whistle-blower system.