Hans Jensen Lubricators A/S

Smedevænget 3, DK-9560 Hadsund

Annual Report for
1 October 2021 - 31 December 2022

CVR No. 11 22 10 33

The Annual Report was presented and adopted at the Annual General Meeting of the company on 29/6 2023

Thomas Kastrup
Chairman of the general meeting

Contents

Management's statement

The Executive Board and Board of Directors have today considered and adopted the Financial Statements of Hans Jensen Lubricators A/S for the financial year 1 October 2021 - 31 December 2022.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and of the results of the Company operations for 2021/22.

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

We recommend that the Financial Statements be adopted at the Annual General Meeting.

Hadsund, 28 June 2023

Executive Board

Rasmus Hans Jensen CEO	Christian Hans Jensen CCO

Board of Directors

Jesper Teddy Lok Chairman	Bo Kristensen	Kristian Verner Mørch
Thomas Synnestvedt Knudsen	Bernd Bertram	

Independent Auditor's report

To the shareholder of Hans Jensen Lubricators A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company´s operations for the financial year 1 October 2021 - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Hans Jensen Lubricators A/S for the financial year 1 October 2021 - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies (”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 Company 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 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 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 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 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 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 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 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.

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.

Hellerup, 28 June 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Michael Groth Hansen
State Authorised Public Accountant
mne33228

Frederik Geer Harvest
State Authorised Public Accountant
mne45859

pwc

Company information

The Company	Hans Jensen Lubricators A/S Smedevænget 3 DK-9560 Hadsund Telephone: 98 57 19 11 Website: www.hjlubri.dk CVR No: 11 22 10 33 Financial period: 1 October 2021 - 31 December 2022 Incorporated: 1 June 1987 Municipality of reg. office: Mariagerfjord
Board of Directors	Jesper Teddy Lok, chairman Bo Kristensen Kristian Verner Mørch Thomas Synnestvedt Knudsen Bernd Bertram
Executive Board	Rasmus Hans Jensen Christian Hans Jensen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2021/22	2020/21	2019/20	2018/19	2017/18
	TDKK 15 months	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	78,061	59,597	65,239	58,713	59,088
Profit/loss before financial income and expenses	34,718	20,483	27,574	20,729	21,328
Profit/loss of financial income and expenses	79	-586	739	-297	-319
Net profit/loss	27,512	15,741	22,067	15,925	16,353
Balance sheet					
Balance sheet total	84,808	81,361	97,439	84,048	83,790
Equity	46,608	35,096	59,355	53,288	53,363
Number of employees	79	80	75	77	75
Ratios					
Return on assets	40.9%	25.2%	28.3%	24.7%	25.5%
Solvency ratio	55.0%	43.1%	60.9%	63.4%	63.7%
Return on equity	67.3%	33.3%	39.2%	29.9%	31.6%

Management's review

Key activities

The Company’s key activities comprises of development, production and service related to cylinder lubrication solutions for large two-stroke marine engines.

The Company was acquired by the G&O Maritime Group as of 1st of July 2022 to further strengthen the Company and the Group’s market position.

Development in the year

The Company's profit for the year amounts to TDKK 35,012 which Management considers satisfactory. During the year, the Company has experienced solid demand above the expectations of Management, compared to the expectations set in the annual report for 2020/21, which was set during the mist of the COVID-19 pandemic.

Particular risks

Business risks
The Company's most important business risk is linked to its ability to be strongly positioned on the markets in which the Company sells its products.

Currency risks

The Company does most of its trade abroad, and a significant part of its revenue is invoiced in foreign currencies. The Company evaluates on a current basis the need for use of financial instruments to hedge net positions and future transactions.

Liquidity

Management assesses that the Company has the necessary funds available to meet the continued development of its activities.

Use of financial instruments

The Company’s loans are primarily denominated in DKK. The Company does not apply financial instruments for the purpose of speculating. Excess liquidity is deposited in money market account or the like. Consequently the Company is not exposed to material financial risks. The Company is among other things using steel as raw material in its products, thus the Company is exposed to the development in steel prices.

Knowledge resources

Compared to the Company’s operating risk, it is important to maintain a market leadership. This is done by attraction and continuous training and education of intellectual capital resources in accordance with market requirements as well as focused sale and marketing.

Environmental performance

The Company is eco-conscious and works on a current basis to improve the environmental impact of both its own operating activities as well as its customers. After end of 2022, the G&O Maritime Group has published its first sustainability report. The report, which covers 2022, is available on the company homepage.

Targets and expectations for the year ahead

For 2023 Management expects to realize positive EBITDA in the range of TDKK 30,000 - 40,000.

Research and development

It is important to the Company to remain a market-leading manufacturer. This is done by current product development taking the market requirements into consideration.

Management's review

Subsequent events

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this Annual Report.

Reporting guidelines of Active Owners

The Company is partly owned by private equity and follows certain reporting guidelines issued by the Danish Venture Capital and Private Equity Association. You may find the guidelines here: www.aktiveejere.dk

Income statement 1 October 2021 - 31 December 2022

	Note	2021/22	2020/21
		DKK 15 months	DKK 12 months
Gross profit		**78,060,823**	**59,597,001**
Staff expenses	1	-40,776,741	-37,323,075
Earnings Before Interest Taxes Depreciation and Amortization		**37,284,082**	**22,273,926**
Depreciation and impairment losses of property, plant and equipment		-2,566,362	-1,791,376
Profit/loss before financial income and expenses		**34,717,720**	**20,482,550**
Financial income		88,647	41,391
Financial expenses		-10,043	-627,014
Profit/loss before tax		**34,796,324**	**19,896,927**
Tax on profit/loss for the year	2	-7,284,714	-4,155,756
Net profit/loss for the year	3	**27,511,610**	**15,741,171**

Balance sheet 31 December 2022

Assets

	Note	2021/22	2020/21
		DKK	DKK
Land and buildings		7,967,152	8,115,154
Plant and machinery		6,851,624	7,961,109
Other fixtures and fittings, tools and equipment		1,283,454	1,703,036
Property, plant and equipment	4	**16,102,230**	**17,779,299**
Investments in subsidiaries	5	1,856,060	1,856,060
Fixed asset investments		**1,856,060**	**1,856,060**
Fixed assets		**17,958,290**	**19,635,359**
Inventories	6	**27,748,409**	**21,429,092**
Trade receivables		29,904,553	27,324,160
Contract work in progress	7	2,059,545	3,302,842
Receivables from associates		0	492,532
Other receivables		1,175,158	642,767
Prepayments	8	562,435	443,359
Receivables		**33,701,691**	**32,205,660**
Cash at bank and in hand		**5,399,328**	**8,090,906**
Current assets		**66,849,428**	**61,725,658**
Assets		**84,807,718**	**81,361,017**

Balance sheet 31 December 2022

Liabilities and equity

	Note	2021/22	2020/21
		DKK	DKK
Share capital		8,000,000	8,000,000
Retained earnings		23,607,814	11,096,040
Proposed dividend for the year		15,000,000	16,000,000
Equity		**46,607,814**	**35,096,040**
Provision for deferred tax	9	3,069,915	2,964,402
Other provisions	10	450,000	450,000
Provisions		**3,519,915**	**3,414,402**
Credit institutions		5,545,962	6,169,342
Other payables		3,495,359	3,411,529
Long-term debt	11	**9,041,321**	**9,580,871**
Credit institutions	11	480,119	497,354
Prepayments received from customers		0	3,163,994
Trade payables		9,436,328	10,607,238
Payables to group enterprises	11	0	2,533,009
Payables to associates		0	100,339
Corporation tax		4,246,402	3,881,226
Payables to group enterprises relating to corporation tax		1,463,569	0
Other payables	11	10,012,250	12,486,544
Short-term debt		**25,638,668**	**33,269,704**
Debt		**34,679,989**	**42,850,575**
Liabilities and equity		**84,807,718**	**81,361,017**

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Statement of changes in equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK
Equity at 1 October	8,000,000	11,096,204	16,000,000	35,096,204
Ordinary dividend paid	0	0	-16,000,000	-16,000,000
Net profit/loss for the year	0	12,511,610	15,000,000	27,511,610
Equity at 31 December	**8,000,000**	**23,607,814**	**15,000,000**	**46,607,814**

Notes to the Financial Statements

	2021/22	2020/21
	DKK	DKK

1. Staff Expenses

	2021/22	2020/21
Wages and salaries	36,802,938	34,246,746
Pensions	3,176,224	2,409,739
Other social security expenses	797,579	666,590
	40,776,741	**37,323,075**
Including remuneration to the Executive Board and Board of Directors	**3,646**	**3,149**
Average number of employees	**79**	**80**

	2021/22	2020/21
	DKK	DKK

2. Income tax expense

	2021/22	2020/21
Current tax for the year	7,498,379	3,973,759
Deferred tax for the year	105,513	181,997
Adjustment of tax concerning previous years	-319,178	0
	7,284,714	**4,155,756**

	2021/22	2020/21
	DKK	DKK

3. Profit allocation

	2021/22	2020/21
Proposed dividend for the year	15,000,000	16,000,000
Retained earnings	12,511,610	-258,829
	27,511,610	**15,741,171**

4. Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment
	DKK	DKK	DKK
Cost at 1 October	20,558,524	35,020,142	6,278,904
Additions for the year	154,448	405,506	310,521
Cost at 31 December	20,712,972	35,425,648	6,589,425
Impairment losses and depreciation at 1 October	12,424,554	27,059,033	4,575,868
Depreciation for the year	321,266	1,514,991	730,103
Impairment losses and depreciation at 31 December	12,745,820	28,574,024	5,305,971
Carrying amount at 31 December	**7,967,152**	**6,851,624**	**1,283,454**

5. Investments in subsidiaries

	2021/22	2020/21
	DKK	DKK
Cost at 1 October	1,856,060	1,856,060
Cost at 31 December	1,856,060	1,856,060
Carrying amount at 31 December	**1,856,060**	**1,856,060**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes	Ownership
Hans Jensen Lubricators Singapore Pte. Ltd.	Singapore	100%	100%

6. Inventories

	2021/22	2020/21
	DKK	DKK
Raw materials and consumables	13,675,997	8,313,075
Work in progress	6,762,882	8,413,609
Finished goods and goods for resale	7,309,530	4,702,408
	27,748,409	21,429,092

Notes to the Financial Statements

	2021/22	2020/21
	DKK	DKK

7. Contract work in progress

	2021/22	2020/21
Contract work in progress is recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	2,059,545	3,302,842
	2,059,545	**3,302,842**

8. Prepayments

Prepayments consist of prepaid expenses concerning insurance premiums and subscriptions.

	2021/22	2020/21
	DKK	DKK

9. Provision for deferred tax

	2021/22	2020/21
Deferred tax liabilities at 1 October	2,964,402	2,885,469
Amounts recognised in the income statement for the year	105,513	78,933
Deferred tax liabilities at 31 December	**3,069,915**	**2,964,402**

10. Other provisions

The Company provides warranties of on some of its products and is therefore obliged to repair or replace goods which are not satisfactory. Based on previous experience in respect of the level of repairs and returns, other provisions of TDKK 450 (2020/21: TDKK 450) have been recognised for expected warranty claims.

	2021/22	2020/21
	DKK	DKK
Other provisions	450,000	450,000
	450,000	**450,000**

The provisions are expected to mature as follows:

	2021/22	2020/21
Within 1 year	0	0
After 5 years	450,000	450,000
	450,000	**450,000**

Notes to the Financial Statements

11. Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2021/22	2020/21
	DKK	DKK
Credit institutions		
After 5 years	3,484,396	4,100,707
Between 1 and 5 years	2,061,566	2,068,635
Long-term part	5,545,962	6,169,342
Within 1 year	480,119	497,354
Short-term part	480,119	497,354
	6,026,081	**6,666,696**
Other payables		
After 5 years	0	0
Between 1 and 5 years	3,495,359	3,411,529
Long-term part	3,495,359	3,411,529
Within 1 year	0	0
Other short-term payables	10,012,250	12,486,544
	13,507,609	**15,898,073**

12. Contingent assets, liabilities and other financial obligations

	2021/22	2020/21
	DKK	DKK
Charges and security		
The following assets have been placed as security with credit institutes:		
Land and buildings with a carrying amount of	7,967,152	8,115,154

Rental and lease obligations

The Company has operational leases with a total commitment of TDKK 236 (30 September 2021: TDKK 190) within the next 2 years.

Other contingent liabilities

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 is disclosed in the Annual Report of P-G&O 2021 A/S, which is the management company of the joint taxation purposes. 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 Company's liability.

13. Related parties and disclosure of consolidated financial statements

	Basis
Controlling interest	
G&O Holding 2021 A/S	Parent Company

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

Name	Place of registered office
G&O Holding 2021 A/S	Allerød
P-G&O 2021 A/S	Copenhagen

Notes to the Financial Statements

14. Accounting policies

The Annual Report of Hans Jensen Lubricators A/S for 2021/22 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Financial Statements for 2021/22 are presented in DKK.

Changes in accounting policies

The company has changed accounting policies for measuring equity investments from equity to cost. The comparative figures are, consequently, restated affecting the fixed assets with DKK -828,933 and the total balance sheet with the same amount. Equity is affected by DKK -828,933. The company's cash flow is not affected by the change.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements for 2021/22 of G&O Holding 2021 A/S, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of G&O Holding 2021 A/S, the Company has not prepared a cash flow statement.

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.

Translation policies

Danish kroner 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.

Notes to the Financial Statements

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.

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 Company.

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

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

Expenses for raw materials and consumables

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

Other external expenses

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

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, 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.

Notes to the Financial Statements

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of property, plant and equipment.

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).

Balance sheet

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 contracted directly for financing the construction of property, plant and equipment are recognised in cost over the construction period.

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:

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 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 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.

Notes to the Financial Statements

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

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.

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments

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

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate Dividend item.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of 1-5 years. Provisions are measured and recognised based on experience with guarantee work.

Notes to the Financial Statements

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.

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.

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