

ATHCO-ENGINEERING A/S

Fabriksvej 12-14, 6000 Kolding
CVR no. 11 80 92 00

Annual report for the financial year 01.07.20 - 30.06.21

This annual report has been adopted at the
annual general meeting on 20.10.21

Preben Christensen

Chairman of the meeting



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The company

ATHCO-ENGINEERING A/S

Secondary firm names: ACO-Engineering A/S, NIRO COMBI A/S

Fabriksvej 12-14

6000 Kolding

Tel.: 76 33 35 55

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Website: www.athco-engineering.dk

E-mail: info@athco-engineering.dk

Registered office: Kolding

CVR no.: 11 80 92 00

Financial year: 01.07 - 30.06

Executive Board

Rene Hansen

Søren Damsbo

Board of Directors

Flemming Torben Heden Knudsen

Xue Yaoming

Hendrik Johan de Lange

Rene Hansen

Steen Bjerg Poulsen

Joachim Skinderholm Otzen

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Bank

Danske Bank

Parent company

A.C.O HOLDING, KOLDING A/S, Kolding, Danmark

Statement by the Executive Board and Board of Directors on the annual report

We have on this day presented the annual report for the financial year 01.07.20 - 30.06.21 for ATHCO-ENGINEERING A/S.

The annual report is presented in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 30.06.21 and of the results of the company's activities and cash flows for the financial year 01.07.20 - 30.06.21.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Kolding, October 20, 2021

Executive Board

Rene Hansen

Søren Damsbo

Board of Directors

Flemming Torben Heden
Knudsen
Chairman

Xue Yaoming

Hendrik Johan de Lange

Rene Hansen

Steen Bjerg Poulsen

Joachim Skinderholm Otzen

To the Shareholder of ATHCO-ENGINEERING A/S**Opinion**

We have audited the financial statements of ATHCO-ENGINEERING A/S for the financial year 01.07.20 - 30.06.21, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 30.06.21 and of the results of the company's operations and cash flows for the financial year 01.07.20 - 30.06.21 in accordance with the the Danish Financial Statements Act (Årsregnskabsloven).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing 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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement regarding the 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, we conclude that management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Acts. We did not identify any material misstatement of management's review.

Management's responsibility for the financial statements

The Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore the Management is responsible for the internal control as the 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.

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 International Standards on Auditing 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 International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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.

Odense, October 20, 2021

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Jacob Pedersen

State Authorized Public Accountant
MNE-no. mne33725

FINANCIAL HIGHLIGHTS**Key figures**

Figures in DKK '000	2020/21	2019/20	2018/19	2017/18	2016/17
<i>Profit/loss</i>					
Gross profit	28,677	27,268	31,571	19,365	9,053
Operating profit	14,026	12,042	16,936	9,070	5,217
Profit before net financials	13,870	11,739	16,636	4,472	-3,425
Total net financials	-355	-171	-43	-218	-412
Profit for the year	10,527	8,974	12,875	3,302	-2,986
<i>Balance</i>					
Total assets	60,335	54,844	51,702	31,574	20,397
Investments in property, plant and equipment	3,284	4,107	8,642	413	697
Equity	29,422	28,895	27,920	8,266	4,964
<i>Cashflow</i>					
Net cash flow:					
Operating activities	4,862	11,271	14,350	8,884	10,247
Investing activities	-3,284	-5,677	-9,124	-352	-385
Financing activities	-8,569	-1,269	1,171	-3,302	-4,630
Cash flows for the year	-6,991	4,325	6,397	5,230	5,232

Ratios

	2020/21	2019/20	2018/19	2017/18	2016/17
<i>Profitability</i>					
Return on equity	36%	32%	71%	50%	-46%

Equity ratio

Equity interest	49%	53%	54%	26%	24%
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Ratios definitions

Return on equity:
$$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$$

Equity interest:
$$\frac{\text{Equity, end of year} \times 100}{\text{Total assets}}$$

Primary activities

The company's activities consist of designing gasket-free fully welded heat exchangers made of stainless steel, which are sold on the domestic market and in export markets.

The company's expertise consists of providing solutions to a large number of industries within the petrochemical industry, as well as to the energy sector with a special focus on technologies within energy savings and CO2 reduction.

Development in activities and financial affairs

The income statement for the period 01.07.20 - 30.06.21 shows a profit/loss of DKK 10,527,471 against DKK 8,974,027 for the period 01.07.19 - 30.06.20. The balance sheet shows equity of DKK 29,421,983.

The earnings expectations for the financial year 01.07.20 - 30.06.21 were a profit of DKK 11,256k. The objective was not met primarily due to lower growth in the order inflow than expected, and has been affected by the oil prices and COVID-19.

Outlook

The company expects growth in the period 01.07.20-30.06.21.

Knowledge resources

The company continuously conducts research and development within the company's business area. The continued investment in competence development is still increasing and constitutes a significant foundation of current and new relevant technology areas.

The company has been ISO9001: 2015 certified.

Financial risks*Foreign currency risks*

Based on the extent of the company's international trade, moderate changes in exchange rates will not have any major impact on earnings.

External environment

The company is environmentally conscious and works continuously to optimize the reduction of the company's environmental impact.

In 2020, there has been a focus on the fact that the introduced improvements are effective and the maintained results have been maintained.

Research and development activities

The company has over the years invested significant resources in the development of new components. Furthermore the company is in the process of developing a number of new unique fully welded heat exchangers for current and new markets.

Subsequent events

No important events have occurred after the end of the financial year.

Income statement

Note		2020/21 DKK	2019/20 DKK
	Gross profit	28,676,914	27,267,690
	Distribution costs	-547,553	-903,058
	Administration costs	-14,103,776	-14,322,568
	Other operating expenses	-155,545	-303,333
	Profit before net financials	13,870,040	11,738,731
2	Financial income	24,399	1,531
3	Financial expenses	-379,042	-172,561
	Profit before tax	13,515,397	11,567,701
4	Tax on profit for the year	-2,987,926	-2,593,674
	Profit for the year	10,527,471	8,974,027
5	Proposed appropriation account		

ASSETS		30.06.21	30.06.20
Note		DKK	DKK
	Leasehold improvements	381,234	305,223
	Plant and machinery	11,667,997	10,738,643
	Other fixtures and fittings, tools and equipment	1,025,928	808,038
	Property, plant and equipment under construction	0	330,195
6	Total property, plant and equipment	13,075,159	12,182,099
7	Deposits	2,800,000	2,800,000
	Total investments	2,800,000	2,800,000
	Total non-current assets	15,875,159	14,982,099
	Raw materials and consumables	4,476,229	5,106,724
	Work in progress	1,364,611	1,144,762
	Total inventories	5,840,840	6,251,486
8	Work in progress for third parties	14,005,614	3,670,070
	Trade receivables	12,199,666	12,917,840
	Receivables from group enterprises	1,548,953	292,900
	Other receivables	1,869,768	1,198,750
9	Prepayments	1,106,592	601,486
10	Total receivables	30,730,593	18,681,046
	Cash	7,888,236	14,928,995
	Total current assets	44,459,669	39,861,527
	Total assets	60,334,828	54,843,626

EQUITY AND LIABILITIES		30.06.21	30.06.20
Note		DKK	DKK
11	Share capital	2,000,000	2,000,000
	Retained earnings	19,421,983	26,894,512
	Proposed dividend for the financial year	8,000,000	0
	Total equity	29,421,983	28,894,512
12	Provisions for deferred tax	1,562,420	636,246
13	Other provisions	554,449	875,320
	Total provisions	2,116,869	1,511,566
14	Lease commitments	6,715,691	6,374,403
14	Other payables	948,714	0
	Total long-term payables	7,664,405	6,374,403
14	Short-term part of long-term payables	2,356,313	958,930
	Payables to other credit institutions	28,240	78,181
8	Prepayments received from work in progress for third parties	641,312	142,225
	Trade payables	10,428,963	5,098,199
	Deposits	175,000	175,000
	Income taxes	2,061,752	4,073,454
	Other payables	5,439,991	7,537,156
	Total short-term payables	21,131,571	18,063,145
	Total payables	28,795,976	24,437,548
	Total equity and liabilities	60,334,828	54,843,626
15	Contingent liabilities		
16	Charges and security		
17	Related parties		

Statement of changes in equity

Figures in DKK	Share capital	Retained earnings	Proposed dividend for the financial year	Total equity
Statement of changes in equity for 01.07.20 - 30.06.21				
Balance as at 01.07.20	2,000,000	26,894,512	0	28,894,512
Extraordinary dividend paid	0	-10,000,000	0	-10,000,000
Net profit/loss for the year	0	2,527,471	8,000,000	10,527,471
Balance as at 30.06.21	2,000,000	19,421,983	8,000,000	29,421,983

Cash flow statement

Note	2020/21 DKK	2019/20 DKK
Profit for the year	10,527,471	8,974,027
18 Adjustments	5,733,291	4,592,676
Change in working capital:		
Inventories	924,979	-2,798,333
Receivables	-10,542,150	8,195,418
Trade payables	4,816,431	-3,764,461
Other payables relating to operating activities	-2,170,293	-1,941,557
Cash flows from operating activities before net financials	9,289,729	13,257,770
Interest income and similar income received	24,399	1,531
Interest expenses and similar expenses paid	-379,042	-172,561
Income tax paid	-4,073,454	-1,816,100
Cash flows from operating activities	4,861,632	11,270,640
Purchase of property, plant and equipment	-3,283,782	-4,106,884
Sale of property, plant and equipment	0	30,000
Purchase of investments	0	-1,600,000
Cash flows from investing activities	-3,283,782	-5,676,884
Dividend paid	-10,000,000	-8,000,000
Arrangement of lease commitments	1,821,431	8,000,000
Repayment of lease commitments	-1,031,473	-982,206
Arrangement of payables to group enterprises	1,897,427	0
Repayment of payables to group enterprises	-1,256,053	-286,526
Cash flows from financing activities	-8,568,668	-1,268,732
Total cash flows for the year	-6,990,818	4,325,024
Cash, beginning of year	14,928,995	10,525,790
Short-term payables to credit institutions, beginning of year	-78,181	0
Cash, end of year	7,859,996	14,850,814
Cash, end of year, comprises:		
Cash	7,888,236	14,928,995
Short-term payables to credit institutions	-28,240	-78,181
Total	7,859,996	14,850,814

	2020/21 DKK	2019/20 DKK
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1. Employee aspects

Wages and salaries	32,204,389	28,395,775
Pensions	2,751,768	2,432,736
Other social security costs	142,150	125,208
Other staff costs	799,866	824,686
Total	35,898,173	31,778,405

Average number of employees during the year	63	56
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Remuneration for the management:

Salaries for the Executive Board	2,547,176	1,702,088
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Total remuneration for the Executive Board	2,547,176	1,702,088
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Remuneration for the Board of Directors	40,066	175,000
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Remuneration for the Executive Board and Board of Directors	2,587,242	1,877,088
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2. Financial income

Foreign exchange gains	24,622	0
Other financial income	-223	1,531

Total	24,399	1,531
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3. Financial expenses

Other interest expenses	219,667	104,478
Foreign currency translation adjustments	159,375	68,083

Total	379,042	172,561
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	2020/21	2019/20
	DKK	DKK

4. Tax on profit for the year

Current tax for the year	2,061,752	4,073,454
Adjustment of deferred tax for the year	926,174	-1,479,780
Total	2,987,926	2,593,674

5. Proposed appropriation account

Extraordinary dividend for the financial year	10,000,000	0
Proposed dividend for the financial year	8,000,000	0
Retained earnings	-7,472,529	8,974,027
Total	10,527,471	8,974,027

6. Property, plant and equipment

Figures in DKK	Leasehold improvements	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment under construction
Cost as at 01.07.20	3,633,928	29,012,585	4,762,172	330,195
Additions during the year	81,055	1,019,721	473,551	1,709,455
Disposals during the year	0	0	-1,000	0
Transfers during the year to/from other items	103,344	1,936,306	0	-2,039,650
Cost as at 30.06.21	3,818,327	31,968,612	5,234,723	0
Depreciation and impairment losses as at 01.07.20	-3,328,705	-18,273,943	-3,954,134	0
Depreciation during the year	-108,388	-2,026,672	-254,661	0
Depreciation and impairment losses as at 30.06.21	-3,437,093	-20,300,615	-4,208,795	0
Carrying amount as at 30.06.21	381,234	11,667,997	1,025,928	0
Carrying amount of assets held under finance leases as at 30.06.21	0	8,214,883	0	0

7. Non-current financial assets

Figures in DKK	Deposits
Cost as at 01.07.20	2,800,000
Cost as at 30.06.21	2,800,000
Carrying amount as at 30.06.21	2,800,000

	30.06.21	30.06.20
	DKK	DKK

8. Work in progress for third parties

Work in progress for third parties	18,362,478	7,738,106
On-account invoicing	-4,998,175	-4,210,261

Total work in progress for third parties	13,364,303	3,527,845
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Work in progress for third parties	14,005,614	3,670,070
Prepayments received from work in progress for third parties, short-term payables	-641,312	-142,225

Total	13,364,302	3,527,845
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9. Prepayments

Prepaid insurance premiums	179,142	139,669
Prepaid license	234,299	374,753
Other prepayments	693,151	87,064

Total	1,106,592	601,486
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10. Receivables

Receivables which fall due for payment more than 1 year after the end of the financial year	744,645	0
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11. Share capital

The share capital consists of:

	Quantity	Total nominal value
Share capital	2,000,000	2,000,000

	30.06.21 DKK	30.06.20 DKK
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12. Deferred tax

Deferred tax as at 01.07.20	636,246	2,116,026
Deferred tax recognised in the income statement	926,174	-1,479,780
Deferred tax as at 30.06.21	1,562,420	636,246

13. Other provisions

Figures in DKK	Warranty commitments	
	30.06.21 DKK	30.06.20 DKK
Provisions as at 01.07.20		875,320
Reversed provision in respect of previous years		-320,871
Provisions as at 30.06.21		554,449

Other provisions are expected to be distributed as follows:

Non-current liabilities	277,225	437,660
Current liabilities	277,225	437,660
Total	554,450	875,320

14. Long-term payables

Figures in DKK	Repayment first year	Outstanding debt after 5 years	Total payables at 30.06.21	Total payables at 30.06.20
Lease commitments	1,407,600	1,491,332	8,123,291	7,333,333
Other payables	948,713	0	1,897,427	0
Total	2,356,313	1,491,332	10,020,718	7,333,333

15. Contingent liabilities

Lease commitments

The company has concluded lease agreements on cars with terms to maturity of between 1 - 22 months and total lease payments of DKK 397k.

The company has concluded lease agreements on inventory with terms to maturity of 12 months and total lease payments of DKK 236k.

The company has concluded lease agreements with group enterprises. The tenancy can be terminated in June 2029, equalling to a maturity of 96 months and average lease payments of DKK 400k, a total of DKK 38,400k.

Guarantee commitments

The company has guarantees from insurance company and bank for delivered goods of a total of DKK 2,296k with an expiry date from 15th of August 2021 to 7th of January 2024.

Other contingent liabilities

The company is taxed jointly with R. Hansen Holding ApS and is liable for income taxes on a pro rata basis and must comply with any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The maximum liability totals an amount corresponding to the share of the capital in the company which is owned directly or indirectly by the ultimate parent. The total known tax liability of the tax jointly companies is shown in the ultimate parent annual report.

16. Charges and security

The company has not provided any security over assets.

17. Related parties

Controlling influence	Basis of influence
Rene Hansen	Ownership
A.C.O HOLDING, KOLDING A/S, Kolding, Danmark	Ownership
R. HANSEN HOLDING ApS, Kolding, Danmark	Ownership

Related party transactions are not disclosed, as all transactions are entered into in the ordinary course of business at arms' length.

Remuneration for the management is specified in note 1. Employee aspects.

The company is included in the consolidated financial statements of the parent R. HANSEN HOLDING ApS, Kolding, Danmark.

	2020/21 DKK	2019/20 DKK
18. Adjustments for the cash flow statement		
Depreciation and impairments losses of property, plant and equipment	2,389,722	1,824,639
Other operating expenses	1,000	3,333
Financial income	-24,399	-1,531
Financial expenses	379,042	172,561
Tax on profit or loss for the year	2,987,926	2,593,674
Total	5,733,291	4,592,676

19. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for medium-sized enterprises in reporting class C with application of provisions for a higher reporting class.

The accounting policies have been applied consistently with previous years.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

LEASES

Leases relating to assets where the company has substantially all the risks and benefits incidental to the ownership of the asset (finance leases) are recognised in the balance sheet. On initial recognition, assets held under finance leases and related lease commitments are measured at the lower of the fair value of the leased asset and the present value of future lease payments. Subsequently, assets held under finance leases are treated like other similar assets.

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as payables. Subsequent to initial recognition, lease commitments are measured at amortised cost according to which the interest element of the lease payment is recognised in the income statement over the lease term.

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

19. Accounting policies - continued -**INCOME STATEMENT****Gross profit**

Gross profit comprises revenue and production costs as well as other operating income.

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Income from construction contracts involving the delivery of highly customised assets are recognised in the income statement as revenue according to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (percentage of completion method).

Production costs

Costs incurred, directly or indirectly, to generate the revenue for the year, including raw materials and consumables, wages and salaries and lease of and depreciation, amortisation and impairment losses on the fixed assets used in the production process, are recognised under production costs.

Distribution costs

Costs for the distribution of goods sold during the year and sales campaigns etc., including wages and salaries for sales staff, advertising and exhibition costs etc. and lease of and depreciation, amortisation and impairment losses on the fixed assets used in the distribution and sales activity, are recognised under distribution costs.

19. Accounting policies - continued -**Administrative expenses**

Expenses incurred during the year for management and administration, including wages and salaries for administrative staff and management as well as office premise expenses, office expenses, bad debts etc. and lease of and depreciation, amortisation and impairment losses on the fixed assets used for administration, are recognised under administrative expenses.

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

Depreciation and impairment losses

The depreciation of property, plant and equipment aim at systematic depreciation over the expected useful lives of the assets. Assets are depreciated according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value DKK
Leasehold improvements	3-7	0
Plant and machinery	3-10	180,000
Other plant, fixtures and fittings, tools and equipment	3-7	0

The basis of depreciation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Other operating expenses

Other operating expenses comprise costs of a secondary nature in relation to the enterprise's activities, including costs relating to rental activities and losses on the sale of intangible assets and property, plant and equipment.

19. Accounting policies - continued -**Other net financials**

Interest income and interest expenses, the interest element of finance lease payments etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

BALANCE SHEET**Property, plant and equipment**

Property, plant and equipment comprise leasehold improvements, plant and machinery as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. For self-constructed or self-produced assets, the cost also comprises production overheads. Production overheads include indirect material and labour costs as well as maintenance and depreciation of machinery, buildings and equipment used in the production process as well as the costs of factory administration and management. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation and impairment losses' section.

19. Accounting policies - continued -*Property, plant and equipment under construction*

Property, plant and equipment under construction are measured at cost. Costs incurred on property, plant and equipment under construction are transferred to the relevant asset category when the asset is ready for use.

Gains and losses on the disposal of property, plant and equipment

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

Inventories

Inventories are measured at cost calculated according to the FIFO-method. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

19. Accounting policies - continued -

The cost of manufactured finished goods and work in progress is determined as the value of direct and indirect material and labour costs. Production overheads include indirect material and labour costs as well as maintenance and depreciation of machinery, buildings and equipment used in the production process as well as the costs of factory administration and management. Interest on loans arranged to finance production is not included in the cost.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Work in progress for third parties

Work in progress for third parties is measured at the selling price of the work performed less on-account invoicing made for each piece of work in progress.

The selling price is measured according to the stage of completion at the balance sheet date and total expected income from each piece of work in progress. The degree of completion for each piece of work in progress is normally calculated as the ratio between the resources spent and the total budgeted resource consumption. For some work in progress where the resource consumption cannot be used as a basis, the ratio between completed subactivities and the combined subactivities for the individual piece of work in progress is used instead.

When the selling price of a piece of work in progress cannot be determined reliably, the selling price is measured at the lower of costs incurred and net realisable value.

The individual piece of work in progress is recognised under receivables or payables in the balance sheet depending on whether the net value of the selling price less prepayments received is positive or negative.

19. Accounting policies - continued -

When it is likely that the total costs of the individual piece of work in progress will exceed total sales income, the total expected loss is recognised as a provision.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank accounts as well as operating cash.

Equity

The proposed dividend for the financial year is recognised as a separate item in equity.

Provisions

Other provisions comprise expected expenses incidental to warranty commitments, loss on work in progress, restructuring etc. and are recognised when the company has a legal or constructive obligation at the balance sheet date and it is probable that such obligation will draw on the financial resources of the company. Provisions are measured at net realisable value or fair value if the provision is expected to be settled over the longer term.

Warranty commitments comprise the obligation to repair defective work within the warranty period of 1-5 years. Warranty commitments are measured at net realisable value and recognised based on previous years' experience with warranty work.

For assets, the regular use of which entails an obligation to restore the asset after use, the estimated expenses incidental thereto are recognised as provisions on a continuing basis over the useful lives of the assets. Such expenses are recognised in the income statement under other external expenses.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

19. Accounting policies - continued -

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Deposits recognised under liabilities comprise deposits received from lessees under the company's leases.

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, showing cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development,

19. Accounting policies - continued -

improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the company's share capital and associated costs and financing from and dividends paid to shareholders as well as the arrangement and repayment of long-term payables. Cash flows from financing activities also comprise finance lease payments.

Cash and cash equivalents at the beginning and end of the year comprise cash and short-term payables to credit institutions.