

ATHCO-ENGINEERING A/S

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

Annual report for the financial year 01.07.19 - 30.06.20

This annual report has been adopted at the
annual general meeting on 22.10.20

Preben Christensen

Chairman of the meeting



Company information etc.	3
Statement by the Executive Board and Board of Directors on the annual report	4
Independent auditor's report	5 - 7
Management's review	8 - 11
Income statement	12
Balance sheet	13 - 14
Statement of changes in equity	15
Cash flow statement	16
Notes	17 - 32

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
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

Board of Directors

Flemming Torben Heden Knudsen, chairman
Xue Yaoming, member
Hendrik Johan de Lange, member
Rene Hansen, member
Steen Bjerg Poulsen, employee representative
Joachim Skinderholm Otzen, employee representative

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 01.07.19 - 30.06.20 for ATHCO-ENGINEERING A/S.

The annual report is presented in accordance with 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 30.06.20 and of the results of the company's activities and cash flows for the financial year 01.07.19 - 30.06.20.

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 22, 2020

Executive Board

Rene Hansen

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 01.07.19 - 30.06.20, 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 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 30.06.20 and of the results of the company's operations and cash flows for the financial year 01.07.19 - 30.06.20 in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

Basis for conclusion

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.

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.

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.

Odense, October 22, 2020

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	2019/20	2018/19	2017/18	2016/17	2015/16
<i>Profit/loss</i>					
Gross profit	27,268	31,571	19,365	9,053	10,699
Operating profit	12,042	16,936	9,070	5,217	-3,425
Profit before net financials	11,739	16,636	4,472	-3,425	-2,129
Total net financials	-171	-43	-218	-412	-391
Profit for the year	8,974	12,875	3,302	-2,986	-1,953
<i>Balance</i>					
Total assets	54,844	51,702	31,574	20,397	35,490
Investments in property, plant and equipment	4,107	8,642	413	697	3,899
Equity	28,895	27,920	8,266	4,964	7,950
<i>Cashflow</i>					
Net cash flow:					
Operating activities	11,271	14,350	8,884	10,247	222
Investing activities	-5,677	-9,124	-352	-385	-3,899
Financing activities	-1,269	1,171	-3,302	-4,630	2,818
Cash flows for the year	4,325	6,397	5,230	5,232	-859

Ratios

	2019/20	2018/19	2017/18	2016/17	2015/16
<i>Profitability</i>					
Return on equity	32%	71%	50%	-46%	-17%

Equity ratio

Equity interest	53%	54%	26%	24%	22%
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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 comprise delivery of in-house design, engineering, production of fully welded stainless steel, heat exchanger and thermo plates (pillow plates) products. The expertise of the company is construction and engineering of fully welded heat exchangers to the coal, oil, and petrochemical industry in general and heat recovery and CO2 reduction technologies for energy savings into many industries.

Development in activities and financial affairs

The income statement for the period 01.07.19 - 30.06.20 shows a profit/loss of DKK 8,974,027 against DKK 12,875,464 for the period 01.07.18 - 30.06.19. The balance sheet shows equity of DKK 28,894,519.

The management considers the net profit for the year to be satisfactory.

The earnings expectations for the financial year 01.07.19 - 30.06.20 were a profit of DKK 8.974k. The objective was not met 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 - 30.06.2021

Knowledge resources

Each year the company invests considerable resources in training and development of the company's employees at all levels of the organisation. This is based on a systematic and targeted approach in the form of both compulsory and voluntary training of the company's employees. Investments in competence development are increasing and constitute an essential pillar in the company's continued development of current and new relevant technology areas in relation to existing key customers as well as increasing the client platform of the company significantly.

Special risks*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

As part of the strategy for the company's overall environmental activities, an environmental policy has been prepared setting out a number of environmental objectives. Focusing on environmentally sound operations, this policy forms a natural part of the company's objectives concerning product quality and production conditions.

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		2019/20 DKK	2018/19 DKK
	Gross profit	27,267,690	31,570,806
	Distribution costs	-903,058	-1,024,222
	Administration costs	-14,322,568	-13,610,096
	Other operating expenses	-303,333	-300,000
	Profit before net financials	11,738,731	16,636,488
2	Financial income	1,531	10,869
3	Financial expenses	-172,561	-54,230
	Profit before tax	11,567,701	16,593,127
4	Tax on profit or loss for the year	-2,593,674	-3,717,663
	Profit for the year	8,974,027	12,875,464
5	Distribution of net profit		

ASSETS		30.06.20	30.06.19
Note		DKK	DKK
	Leasehold improvements	305,223	291,828
	Plant and machinery	10,738,643	2,441,569
	Other fixtures and fittings, tools and equipment	808,038	673,840
	Property, plant and equipment under construction	330,195	6,525,950
6	Total property, plant and equipment	12,182,099	9,933,187
7	Deposits	2,800,000	1,200,000
	Total investments	2,800,000	1,200,000
	Total non-current assets	14,982,099	11,133,187
	Raw materials and consumables	5,106,724	2,512,499
	Work in progress	1,144,762	940,654
	Total inventories	6,251,486	3,453,153
8	Work in progress for third parties	3,670,070	10,451,638
	Trade receivables	12,917,840	15,477,155
	Receivables from group enterprises	292,900	6,374
	Other receivables	1,198,757	250,274
9	Prepayments	601,486	404,511
	Total receivables	18,681,053	26,589,952
	Cash	14,928,995	10,525,790
	Total current assets	39,861,534	40,568,895
	Total assets	54,843,633	51,702,082

EQUITY AND LIABILITIES		30.06.20	30.06.19
Note		DKK	DKK
10	Share capital	2,000,000	2,000,000
	Retained earnings	26,894,519	17,920,492
	Proposed dividend for the financial year	0	8,000,000
	Total equity	28,894,519	27,920,492
11	Provisions for deferred tax	636,246	2,116,026
12	Other provisions	875,320	3,313,001
	Total provisions	1,511,566	5,429,027
13	Lease commitments	6,374,403	0
	Total long-term payables	6,374,403	0
13	Short-term part of long-term payables	958,930	315,539
	Payables to other credit institutions	78,181	0
8	Prepayments received from work in progress for third parties	142,225	2,302,205
	Trade payables	5,098,199	8,862,661
	Deposits	175,000	175,000
	Income taxes	4,073,454	1,816,100
	Other payables	7,537,156	4,881,058
	Total short-term payables	18,063,145	18,352,563
	Total payables	24,437,548	18,352,563
	Total equity and liabilities	54,843,633	51,702,082
14	Contingent liabilities		
15	Charges and security		
16	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 01.07.19 - 30.06.20				
Balance as at 01.07.19	2,000,000	17,920,492	8,000,000	27,920,492
Dividend paid	0	0	-8,000,000	-8,000,000
Net profit/loss for the year	0	8,974,027	0	8,974,027
Balance as at 30.06.20	2,000,000	26,894,519	0	28,894,519

Cash flow statement

Note	2019/20 DKK	2018/19 DKK
Profit for the year	8,974,027	12,875,464
17 Adjustments	4,592,676	4,924,969
Change in working capital:		
Inventories	-2,798,333	-1,668,030
Receivables	8,195,418	5,149,539
Trade payables	-3,764,461	3,010,699
Other payables relating to operating activities	-1,941,557	-7,356,050
Cash flows from operating activities before net financials	13,257,770	16,936,591
Interest income and similar income received	1,531	10,869
Interest expenses and similar expenses paid	-172,561	-54,230
Income tax paid	-1,816,100	-2,543,598
Cash flows from operating activities	11,270,640	14,349,632
Purchase of property, plant and equipment	-4,106,884	-8,641,729
Sale of property, plant and equipment	30,000	217,500
Purchase of investments	-1,600,000	-700,000
Cash flows from investing activities	-5,676,884	-9,124,229
Dividend paid	-8,000,000	0
Arrangement of lease commitments	8,000,000	0
Repayment of lease commitments	-982,206	-325,293
Arrangement of payables to group enterprises	0	1,496,436
Repayment of payables to group enterprises	-286,526	0
Cash flows from financing activities	-1,268,732	1,171,143
Total cash flows for the year	4,325,024	6,396,546
Cash, beginning of year	10,525,790	4,129,244
Cash, end of year	14,850,814	10,525,790
Cash, end of year, comprises:		
Cash	14,928,995	10,525,790
Short-term payables to credit institutions	-78,181	0
Total	14,850,814	10,525,790

	2019/20	2018/19
	DKK	DKK

1. Employee aspects

Wages and salaries	28,395,775	27,762,237
Pensions	2,432,736	2,346,584
Other social security costs	125,208	126,611
Other staff costs	824,686	914,731
Total	31,778,405	31,150,163

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

Remuneration for the Executive Board and Board of Directors	1,877,088	1,644,583
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2. Financial income

Other financial income	1,531	10,869
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3. Financial expenses

Other interest expenses	104,478	50,144
Foreign currency translation adjustments	68,083	4,086
Total	172,561	54,230

	2019/20 DKK	2018/19 DKK
4. Tax on profit or loss for the year		
Current tax for the year	4,073,454	1,816,100
Adjustment of deferred tax for the year	-1,479,780	1,901,563
Total	2,593,674	3,717,663

5. Distribution of net profit

Proposed dividend for the financial year	0	8,000,000
Retained earnings	8,974,027	4,875,464
Total	8,974,027	12,875,464

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 01.07.19	3,380,172	19,331,466	4,434,408	6,525,950
Additions during the year	253,756	878,470	327,764	2,646,894
Disposals during the year	0	-40,000	0	0
Transfers during the year to/from other items	0	8,842,649	0	-8,842,649
Cost as at 30.06.20	3,633,928	29,012,585	4,762,172	330,195
Depreciation and impairment losses as at 01.07.19	-3,088,344	-16,889,627	-3,760,568	0
Depreciation during the year	-240,361	-1,390,982	-193,566	0
Reversal of depreciation of and impairment losses on disposed assets	0	6,667	0	0
Depreciation and impairment losses as at 30.06.20	-3,328,705	-18,273,942	-3,954,134	0
Carrying amount as at 30.06.20	305,223	10,738,643	808,038	330,195
Carrying amount of assets held under finance leases as at 30.06.20	0	7,466,667	0	0

7. Non-current financial assets

Figures in DKK	Deposits
Cost as at 01.07.19	1,200,000
Additions during the year	1,600,000
Cost as at 30.06.20	2,800,000

	30.06.20	30.06.19
	DKK	DKK

8. Work in progress for third parties

Work in progress for third parties	7,738,106	28,938,956
On-account invoicing	-4,210,261	-20,789,523
Work in progress for third parties	3,527,845	8,149,433

Work in progress for third parties is recognized in the balance sheet as:

Work in progress for third parties	3,670,070	10,451,638
Prepayments received from work in progress for third parties, short-term payables	-142,225	-2,302,205
Total	3,527,845	8,149,433

9. Prepayments

Prepaid insurance premiums	139,669	135,823
Prepaid license	374,753	52,200
Other prepayments	87,064	216,488
Total	601,486	404,511

10. Share capital

The share capital consists of:

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

	30.06.20	30.06.19
	DKK	DKK

11. Deferred tax

Deferred tax as at 01.07.19	2,116,026	214,463
Deferred tax recognised in the income statement	-1,479,780	1,901,563
Deferred tax as at 30.06.20	636,246	2,116,026

12. Other provisions

Figures in DKK	Warranty commitments
Provisions as at 01.07.19	3,313,001
Reversed provision in respect of previous years	-2,437,681
Provisions as at 30.06.20	875,320

	30.06.20	30.06.19
	DKK	DKK

Other provisions are expected to be distributed as follows:

Non-current liabilities	437,660	885,652
Current liabilities	437,660	2,427,349
Total	875,320	3,313,001

13. Long-term payables

Figures in DKK	Repayment first year	Outstanding debt after 5 years	Total payables at 30.06.20	Total payables at 30.06.19
Lease commitments	958,930	2,519,145	7,333,333	315,539
Total	958,930	2,519,145	7,333,333	315,539

14. Contingent liabilities*Lease commitments*

The company has concluded lease agreements on cars with terms to maturity of between 8-26 months and a total of DKK 674k.

The company has concluded lease agreements with a group enterprise. The tenancy can be terminated in June 2029, corresponding to a maturity of 108 months and average lease payments of DKK 400k, a total of DKK 43,200k.

Guarantee commitments

The company has a guarantee from insurance company for quality and service for delivered goods for a total of DKK 2,164k with an expiry date 2020-2021.

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.

15. Charges and security

The company has not provided any security over assets.

16. 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

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

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

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

	2019/20 DKK	2018/19 DKK
17. Adjustments for the cash flow statement		
Other operating income	0	-140,747
Depreciation and impairments losses of property, plant and equipment	1,824,639	1,304,692
Other operating expenses	3,333	0
Financial income	-1,531	-10,869
Financial expenses	172,561	54,230
Tax on profit or loss for the year	2,593,674	3,717,663
Total	4,592,676	4,924,969

18. 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.

18. 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.

Construction contracts involving the delivery of highly customised installations are recognised 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.

18. 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	195,000
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.

18. 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.

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.

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

Property, plant and equipment under construction are measured at cost. For self-constructed or self-produced assets, the cost also comprises production overheads. 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 principle. 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.

18. 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.

When it is likely that the total costs of the individual piece of work in progress will exceed

18. Accounting policies - continued -

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.

18. 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.

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, 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.

18. Accounting policies - continued -

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