Mesco Denmark A/S

Registration No. 13 25 53 77

Annual Report 2018

30th Financial Year

The Annual Report is adopted at the Annual General Meeting of shareholders on 25 February 2019.

Chairman ....

c/o DLA Piper, Rådhuspladsen 4, DK-1550 Copenhagen V, Denmark

Contents

Management's Statement

Today, the Executive Management and Board of Directors have discussed and adopted the Annual Report for 2018 of Mesco Denmark A/S.

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

In our opinion, the Financial Statements give a true and fair view of the Group's and Company's assets, liabilities and financial position at 31 December 2018, as well as of the results of the Group's and the Company's operations and the Group's consolidated cash flows for the financial year ended 31 December 2018.

In addition, it is our opinion, that the Management Report gives a true and fair view of the development in the Group's and the Company's operations and economic conditions, the year's result and of the Group's and the Company's financial position.

It is recommended that the Annual Report be approved at the Annual General Meeting.

Allerød, 25 February 2019

Executive Management

....
Artur Bugsgang
Managing Director

Board of Directors

内田俊彦 T. Uchida
....
Toshihiko Uchida
(Chairman)

....
Artur Bugsgang

....
Torkil Bentzen

Independent Auditors' Report

To the Shareholder of Mesco Denmark A/S

Opinion

We have audited the consolidated Financial Statements and the Parent Company Financial Statements of Mesco Denmark A/S for the financial year 1 January – 31 December 2018 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the Parent Company and a cash flow statement for the Group. The consolidated Financial Statements and Parent Company Financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

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 consolidated Financial Statements and the Parent Company Financial Statements" section of our report. We are independent of the Group 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 rules and 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 consolidated Financial Statements and the Parent Company Financial Statements

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

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

Auditor's responsibilities for the audit of the consolidated Financial Statements and the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance as to whether the consolidated Financial Statements and the Parent Company 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 Financial Statement users made on the basis of these consolidated Financial Statements and Parent Company 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 consolidated Financial Statements and the Parent Company Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

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

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

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

— evaluate the overall presentation, structure and contents of the consolidated Financial Statements and the Parent Company Financial Statements, including the disclosures, and whether the consolidated

Financial Statements and the Parent Company Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

Based on the work we have performed, we conclude that the Management's review is in accordance with the consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 25 February 2019

KPMG

Statsautoriseret Revisionspartnerselskab

CVR-no. 25 57 81 98

Henrik O. Larsen	Niels Vendelbo
State Authorised	State Authorised
Public Accountant	Public Accountant
MNE-no. 15839	MNE-no. 34532

Company Information

The Company	**Mesco Denmark A/S** c/o DLA Piper Rådhuspladsen 4 DK-1550 Copenhagen V Denmark Registration No. (CVR-nr.) 13 25 53 77
Board of Directors	Toshihiko Uchida, Chairman Artur Bugsgang Torkil Bentzen
Executive Management	Artur Bugsgang, Managing Director
Sole shareholder	Mitsui E&S Holdings Co. Ltd., Tokyo, Japan
Subsidiary	Burmeister & Wain Scandinavian Contractor A/S Gydevang 35 DK-3450 Allerød Denmark Registration No. (CVR-nr.) 87 92 91 16
Auditors	KPMG Statsautoriseret Revisionspartnerselskab
Bankers	Danske Bank A/S

Group Company Overview

Mesco Denmark A/S is the Parent Company in the Burmeister & Wain Scandinavian Contractor A/S Group

Company Name	Incorporated in:	Ownership
Parent Company in the Burmeister & Wain Scandinavian Contractor A/S Group		
Burmeister & Wain Scandinavian Contractor A/S*	Denmark	100%
Subsidiaries in the Burmeister & Wain Scandinavian Contractor A/S Sub-Group		
BWSC Generation ApS	Denmark	100%
BWSC Foreign Investments ApS	Denmark	100%
BWSC Generation Services UK Ltd.	United Kingdom	100%
BWSC Generation Services Northern Ireland Ltd.	United Kingdom	100%
BWSC (Mauritius) Ltd.	Mauritius	100%
BWSC Lebanon Construction SARL	Lebanon	100%
BWSC Panama S.A.	Panama	100%
BWSC Regional Services S.A.	Panama	100%
BWSC Lanka (Private) Ltd.	Sri Lanka	100%
BWCC Ltd.	The Bahamas	100%
BWSC Cayman Ltd.	Cayman Islands	100%
BWSC Macau Ltd.	Macau	100%
BWSC Sweden AB	Sweden	100%
BWSC Mali SARL	Mali	100%
BWSC Japan Ltd.	Japan	100%
Associated companies in the Burmeister & Wain Scandinavian Contractor A/S Sub-Group		
Western Biomass Operating Company Ltd.	United Kingdom	50%
APOM Ltd.	United Kingdom	50%
BWSC Power Corporation Ltd.	United Kingdom	34.0%
Rabai Power Holding Ltd.	United Kingdom	25.5%
ERE LPS Holdings Ltd.	United Kingdom	17.2%
Mersey Bioenergy Holdings Ltd.	United Kingdom	10.6%
Tilbury Green Power Holding Ltd.	United Kingdom	3.4%
Rabai Operation and Maintenance Ltd.	Kenya	51%
Pedregal Power Company S.D.E.R.L	Panama	7.6%
Asia Power (Private) Ltd.	Sri Lanka	6.8%
Albatros Energy Mali S.A	Mali	8%
Kent Power Corporation Ltd.	United Kingdom	18%

* The Subsidiary Burmeister & Wain Scandinavian Contractor A/S has branches in the United Kingdom, Greece and Suriname.

Companies and branches without material activity and assets and liablities and dormant companies are omitted from the list.

Group Financial Highlights

KEY FIGURES	2018	2017	2016	2015	2014
Income Statement (mDKK):					
Revenue	2,158	2,882	2,946	2,106	1,815
Gross profit	121	202	297	244	131
Net financials	-18	3	-11	7	6
Net result	-161	-25	83	76	17
Balance Sheet (mDKK):					
Total assets	1,962	1,987	1,854	1,859	1,518
Cash	529	381	237	797	743
Equity	497	701	786	750	652
Interest-bearing debts	216	169	172	25	28
Investments in tangible fixed assets	8	11	12	6	6

FINANCIAL RATIOS	2018	2017	2016	2015	2014
Gross margin	6%	7%	10%	12%	7%
Profit ratio	-9%	-1%	4%	5%	1%
Equity ratio	25%	35%	42%	40%	43%
Return on equity	-27%	-3%	11%	11%	3%

According to the custom of the sector profit ratio has been calculated as the profit before tax proportional to the revenue. The calculations of the remaining financial ratios are described in the accounting policy section of the Annual Report.

2018 Review

Mesco Denmark A/S (the Company) is mainly a holding company with no revenue in the parent company. The Company employed one employee and the group employed an average of 764 employees during 2018 (2017: one in the parent company and 716 in the group).

Further description of the activity in the subgroup is available in the 2018 annual report of Burmeister & Wain Scandinavian Contractor A/S (hereinafter BWSC), which is accessible on the homepage of BWSC (www.bwsc.com).

Development in activities and finances

The Group's financial statements and the financial statements of the Parent Company show a result for the year of DKKm -161 (2016: DKKm -25) and equity at 31 December 2018 of DKKm 497 (2017: DKKm 701).

The expectation for 2018 stated in the Annual Report for 2017 of higher revenue and higher profit before tax have not been realised.

Events after the balance sheet date

No significant events subsequent to 31 December 2018, which could materially impact the financial position, have occurred.

Main Activities

The group has three main activities:

- Provider of tailored power plants
- Power plants generation service
- Investments in power plants

Knowledge sharing

The group is knowledge-based. People and internal processes are key resources to solve customers' challenges in the best and most efficient way possible. Furthermore, the group continuously focuses on maintaining and developing its employees.

Knowledge key figures of the group:

- 764 employees
- Emphasis on further education and training of the employees

2018 Review

Order intake and backlog

Order intake for 2018 amounted to DKKm 2,955 (2017: DKKm 3,769). Of the order intake DKKm 1,578 relates to EPC and DKKm 1,377 relates to operation and maintenance. EPC projects, that typically ensures revenue over the construction period - typically around 2- 3 years per project, have been below expectations in 2018, whereas services and O&M projects, of which O&M ensure revenue over the lifetime of the contract (up to 20 years), have been above expectations. The order backlog amounted to DKKm 7,917 (2017: DKKm 7,120)

EBIT

The financial performance has been below expectations, which has resulted in a loss before interest and tax (EBIT) for 2018 of DKKm 86 compared to a loss of DKKm 4 in 2017. The unsatisfactory development in EBIT is mainly the result of technical and commercial matters related to a few challenging projects in particular.

Uncertainties

In 2014, two engine-based projects in the Middle East were suspended due to the client not paying the milestone payments on time. The outstanding milestone payments were paid at the end of 2014, and the suspension was lifted at the beginning of 2015. The subsidiary BWSC has claimed the customer for direct costs, overhead and profit. A part of the costs related to the claims has been included in the project accounts/work in progress over the years. At the end of 2016, the taking-over certificates (TOC) were signed by the customer. Since 2017, focus has been on reaching an agreement on the claims with the client's representatives. Since it has not been possible to reach an agreement, we decided in 2018 to file for arbitration through ICC, France. A material part of the amount we are claiming has not been recognised as income due to the claim negotiations not being finalised. The outcome of the claim settlement is uncertain, and it is considered likely that it could have a material positive impact on result before tax when the claims have been settled.

Financial income and expenses

The subsidiary BWSC has made a number of investments in power plants together with partners. The main investments are the Brigg, Snetterton and Kent biomass power plants in the UK. With the Kent power plant entering into operation in September 2018, all of these are now in operation. Key elements for the financial performance of the plants are the sales price for the power produced and fuel prices. In 2018, power prices in the UK were below expectations, which had a negative impact on profit from investments in and impairments of associated companies compared to expectations. Result from investments in associated companies amounts to DKKm -83 (2017: DKKm -23). The result from investments in associated companies includes impairment losses of DKKm 87.

Working capital

Working capital has improved by DKKm 246. Reducing working capital bindings will continue to be a focus area going forward. Cash DKKm 529 represents 27% of total assets.

Cash flow

Cash flows from operating activities amounts to DKKm 112, which is a decrease of DKKm 109 compared to last year. The decrease is mainly caused by the decrease in net result. Cash flows from investing activities amounts to DKKm 3 versus DKKm -33 last year. Cash flows from investing activities comprise dividends received less investments in associated companies. Cash flow from financing activities amounts to DKKm 34 compared to DKKm -44 last year. In 2018 cash flow from financing activities is due to bank loans and last year the cash flow was mainly related to dividend payments.

Risk Management

Risk management is a fundamental part of the Group's business. The groups' business includes large construction and service projects in various jurisdictions and related contracts with sub-suppliers and consortium partners, which expose the group to a number of risks.

The group holds comprehensive experience within engineering, procurement, construction and servicing, which has been accumulated during construction of 184 power plants in more than 54 countries and a large number of service projects. The experience contributes to reducing potential risks. Risk will always be a significant factor in large construction and service projects, and each project is carefully evaluated in the planning and execution phases.

Beside the operational risks, the group is also exposed to currency, interest, counterpart, investment and credit risks which are mitigated and considered less material. For additional information please see the Annual Report for the subsidiary Burmeister & Wain Scandinavian Contractor A/S on their homepage (www.bwsc.com).

Corporate social responsibility

The Company is mainly a holding company and consequently the Company has not itself implemented any policies for corporate social responsibility. This includes all 5 main focus areas of CSR:

- Environment and climate
- Human & labour rights
- Business integrity
- Social and staff matters
- Community engagement and social impact

The Company's Sub-Group has a separate CSR statement which is incorporated in their financial statement and available on their homepage (www.bwsc.com). Equal opportunities for all employees is important to the group and accordingly we do not differentiate based on gender, race or religion when people are employed, or when training programs are offered to employees or when employees are promoted. The Company has implemented a policy regarding gender parity. For Mesco Denmark A/S the policy reflects the fact that the Company is a holding company with only one employee and a Board of Directors of three members with an expected long term of service and anticipated little rotation. Burmeister & Wain Scandinavian Contractor A/S has furthermore implemented a gender parity policy.

In 2018, there were two whistleblower reportings regarding business behaviour. Following an internal inquiry, one was investigated further and full disciplinary actions were taken, resulting in the summary dismissal of five employees in February 2019, for breach of the BWSC code of conduct.

2019 Outlook

2019 is expected to be a year of transition for BWSC. Certain initiatives will be implemented regarding market focus, competitiveness and optimisation. We expect to see an effect from these initiatives on our profitability on a medium to long-term basis. Implementation of the initiatives are primarily planned to take place during 2019 and 2020. For 2019 we expect order intake at the same level as for 2018, an improved operating result, and a positive result before tax.

Forward looking statements like the 2019 outlook are uncertain and depend on a number of factors. Furthermore, BWSC disclaims any liability to update or adjust statements in the Annual Report 2018 about future or possible reasons for differences between actual and anticipated results except where required by law.

Income Statement
(In DKK thousands)

Parent company 2017	Parent company 2018	Notes		The Group 2018	The Group 2017
0	0	2	Revenue	2,158,059	2,881,572
0	0		Costs of production	-2,037,524	-2,679,343
0	0		**Gross profit**	120,535	202,229
0	0		Sales costs	-56,306	-57,630
-1,199	-1,249		Administrative costs	-150,718	-148,196
-1,199	-1,249		**Operating result**	-86,489	-3,597
-23,623	-160,405	6	Result on investments in subsidiaries	0	0
0	0	6	Result on investments in associated companies	-83,156	-23,043
0	0		Financial income	5,269	14,194
-32	-67		Financial costs	-22,894	-11,068
-24,854	-161,721		**Result before tax**	-187,270	-23,514
271	289	3	Tax on result for the year	25,838	-1,069
-24,583	-161,432		**Net result for the year**	-161,432	-24,583

Distribution of profit for the year is specified in note 19

Balance Sheet 31 December
Assets
(In DKK thousands)

Parent Company 2017	Parent Company 2018	Notes		The Group 2018	The Group 2017
0	0		Software and goodwill	17,498	24,022
0	0		Development costs	10,667	16,000
0	0	4	**Intangible fixed assets**	28,165	40,022
0	0		Land and buildings	68,828	69,621
0	0		Fixture and fittings, tools and equipment	16,473	16,737
0	0	5	**Tangible fixed assets**	85,301	86,358
677,693	487,502		Investments in subsidiaries	0	0
0	0		Investments in associated companies	282,448	354,945
0	0		Other securities	224,105	269,249
677,693	487,502	6	**Financial fixed assets**	506,553	624,194
677,693	487,502		**Total fixed assets**	620,019	750,574
0	0		Raw materials and consumables	636	1,708
0	0		**Inventories**	636	1,708
0	0		Trade debtors	148,005	148,866
0	0	8	Contract work in progress	516,348	554,200
0	0		Amounts owed by associated companies	16,607	6,417
271	289		Receivable corporate taxes	1,904	2,070
0	0	9	Deferred tax assets	31,719	0
572	843		Other debtors	90,499	136,421
0	0		Prepayments	6,845	6,175
843	1,132		**Debtors**	811,927	854,149
23,161	8,845		**Cash and cash equivalents**	529,447	380,834
24,004	9,977		**Total current assets**	1,342,010	1,236,691
701,697	497,479		**TOTAL ASSETS**	1,962,029	1,987,265

Balance Sheet 31 December
Equity and Liabilities
(In DKK thousands)

Parent Company 2017	Parent Company 2018	Notes		The Group 2018	The Group 2017
60,000	60,000		Share capital	60,000	60,000
601,001	591,709		Revaluation reserve according to the equity method	98,532	78,038
0	0		Reserves for financial instruments	10,305	34,439
0	0		Reserves for development costs	8,320	12,480
27,478	-154,448		Retained earnings	320,104	503,522
13,000	0		Proposed dividend	0	13,000
701,479	497,261		**Equity**	497,261	701,479
0	0	9	Deferred tax	922	15,815
0	0		Warranty provisions	75,879	72,960
0	0	10	Other provisions	101,075	122,442
0	0		**Provisions**	177,876	211,217
0	0		Mortgage debt	12,409	15,600
0	0		Other long-term liabilities	5,037	5,038
0	0	11	**Long-term liabilities**	17,446	20,638
0	0		Mortgage debt, short-term	3,111	3,169
0	0		Bank loan	200,000	150,000
0	0	8	Prepayments received from customers	669,545	408,830
0	0		Trade creditors	281,551	372,679
0	0		Amounts owed to related companies	2,587	1,960
0	0		Corporate tax	10,473	16,536
218	218	12	Other creditors	102,179	100,757
218	218		**Current liabilities**	1,269,446	1,053,931
218	218		**Total long-term and current liabilities**	1,286,892	1,074,569
701,697	497,479		**TOTAL EQUITY AND LIABILITIES**	1,962,029	1,987,265

Other notes without reference to the financial statements

Note 13:	Audit fees
Note 14:	Staff costs etc.
Note 15:	Financial instruments
Note 16:	Transactions between related parties
Note 17:	Contingency liabilities, security for loans, etc.
Note 18:	Guarantees
Note 19:	Distribution of profit
Note 20:	Cash flow adjustments
Note 21:	Changes in working capital (for the cash flow statement)
Note 22:	Events after the balance sheet date

Statement of Changes in Equity

(In DKK thousands)

Parent Company

	Share capital	Revaluation reserve	Retained earnings	Dividend proposed	Total
Balance at 1 January 2018	60,000	601,001	27,478	13,000	701,479
Dividends paid	0	0	0	-13,000	-13,000
Profit of the year	0	20,494	-181,926	0	-161,432
Proposed dividend for 2018	0	0	0	0	0
Changes in financial instruments	0	-30,941	0	0	-30,941
Tax on changes in equity	0	6,807	0	0	6,807
Foreign exchange adjustment etc. of subsidiaries and associated companies	0	-5,652	0	0	-5,652
Equity at 31 December 2018	60,000	591,709	-154,448	0	497,261

There have been no changes in the share capital during the last 5 years. The share capital is divided into 60 shares of DKK 1 million each.

The Group

	Share capital	Revaluation reserve	Financial instrum.	Development costs	Retained earnings	Dividend proposed	Total
Balance at 1 January 2018	60,000	78,038	34,439	12,480	503,522	13,000	701,479
Dividends paid	0	0	0	0	0	-13,000	-13,000
Profit of the year	0	26,918	0	-5,333	-183,017	0	-161,432
Proposed dividend for 2018	0	0	0	0	0	0	0
Changes in financial instruments	0	0	-30,941	0	0	0	-30,941
Tax on changes in equity	0	0	6,807	1,173	-1,173	0	6,807
Foreign exchange adjustment etc. of subsidiaries and associated companies	0	-6,424	0	0	772	0	-5,652
Equity at 31 December 2018	60,000	98,532	10,305	8,320	320,104	0	497,261

Dividend from the subsidiary Company, which has been declared after the balance sheet date, but prior to adoption of the Annual Report of Mesco Denmark A/S, has been deducted from the net revaluation reserve.

Cash Flow Statement
(In DKK thousands)

The Group

	Notes	2018	2017
Operating profit		-86,489	-3,597
Adjustments	19	-10,269	129,131
Changes in working capital	20	246,483	133,113
Cash flows from operating activities before net financials		149,725	258,647
Financial income		5,269	14,194
Financial costs		-22,894	-11,068
Cash flows from ordinary activities		132,100	261,773
Taxes paid		-19,865	-40,842
Cash flows from operating activities		112,235	220,931
Additions of tangible assets		-7,236	-10,200
Additions of intangible assets		-6,455	-27,679
Dividends received from associated companies		34,937	11,934
Investments in associated companies and other securities		-18,619	-40,393
Disposals of investments in associated companies		0	33,561
Cash flows from investing activities		2,627	-32,777
Bank loan		50,000	0
Repayment of mortgage debt		-3,249	-3,516
Dividends distributed		-13,000	-40,500
Cash flows from financing activities		33,751	-44,016
Cash at beginning of year		380,834	236,696
Changes in cash		148,613	144,138
Cash at year-end		529,447	380,834

The cash flow statement cannot be derived directly from the Income Statement and Balance Sheets.

Note 1 Accounting Policies

General

The Annual Report of Mesco Denmark A/S has been presented in accordance with the provisions of the Danish Financial Statements Act for large reporting Class C companies.

Change in accounting policies

There are no changes to accounting policies compared to previous year.

Accounting estimates and Judgements

In preparing the financial statements, the subsidiary BWSC has made a number of estimates and judgements that form the basis for recognition and measurement of assets, liabilities and items in the income statement. The most significant accounting estimates and judgements are stated below.

Determining the carrying amount of certain assets and liabilities requires judgements, estimates and assumptions relating to future events and is therefore by nature subject to uncertainty. Particular risks referred to in the Risk management section of the Management review may have a substantial influence on the accounting risks. In the financial statements, attention is particularly drawn to the following assumptions and uncertainties as these substantially influence the assets and liabilities recognised in the statements and may be adjusted in subsequent accounting years if the assumed course of events is not realised as anticipated:

- Construction contracts are measured at contract work performed, less prepayments received from the customers and anticipated losses. The percentage of completion is determined from an assessment. The contract value is measured based on the total expected income of the individual contracts – claim income is further mentioned below. The total expected expenses are partly based on estimates and contingency are included for unforeseen cost deviations to plan cost due to project risks, disputes etc.

- The subsidiary BWSC has a material claim related to engine-based projects in the Middle East. Currently, the claim negotiations have not been finalised, and a material part of claim income cannot be recognised as income. The settlement is uncertain and could have a materially positive impact on the result when the claim has been final settled. It is considered less likely that the settlement would have a negative impact on the result

- Provisions are based on the subsidiary BWSC's best estimate of the amount at which the obligation is expected to be discharged. Provisions consist mainly of warranty provisions and other provisions.

- Investments in associated companies are recognised at the subsidiary BWSC's proportionate share of the net assets of the Companies (the equity method). An impairment test is performed when an indicator of impairment exists. The impairment test is based on cash flow estimates of future income and cost. Uncertainty about the future development in the power sales price and fuel cost are the key uncertainties in the impairment test. As shown in note 6 an impairment loss of DKKm 87 has been recognised in 2018. The impairment loss relates to investments in associated companies in the UK operating a number of power plants. The impairment is caused by underlying lower than expected earnings of the companies as well as lower than expected long term outlook for the companies. The impairment is based on a discounted cash flow model calculation and budgets for the power plants throughout the expected life of the plants.

Accounting judgements

In applying the accounting policies, the subsidiary BWSC makes judgements concerning recognition principles to use. Especially related to when income and expenditure relating to third-party contracts must be treated in accordance with the percentage of completion method (construction contracts) compared to sale of goods. BWSC has for each group of transactions assessed, whether projects contain a sufficiently high degree of individual adjustment to qualify for recognition as a construction contract under the percentage of completion method. If this is not the case, the projects are recognised as revenue on sale of finished projects.

Defining materiality

The subsidiary BWSC's Annual Report is based on the concept of materiality to ensure that the content is material and relevant to the reader. This objective is pursued, amongst other things, by providing relevant rather than generic descriptions. The consolidated financial statements consist of a large number of transactions. These transactions are aggregated into classes according to their nature or function and presented in classes of similar items in the financial statements and in the notes as required by the Danish Financial Statements Act. If items are individually immaterial, they are aggregated with other items of similar nature in the statements or in the notes.

Going concern

The company is required to decide whether the financial statements can be presented on a "going concern" basis. Based on budgets, forecast and expectations of future cash flow etc., the company is of the opinion that there are no factors giving reason to doubt whether the company can continue operating for at least 12 months from the balance sheet date.

Recognition and measurement in general

Assets are recognised in the balance sheet when it is probable that future economic benefits associated with the assets will flow to the Group, and the cost of the assets can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits associated with the liabilities will flow from the Group, and the cost of the liabilities can be measured reliably.

At initial recognition, assets and liabilities are measured at cost. Assets and liabilities are afterwards measured as described below for each balance sheet item.

Consolidation

The consolidated financial statements are prepared on the basis of financial statements of the Parent Company and each subsidiary by aggregating items of a similar nature and by eliminating intra-group transactions.

The project financial statements of international contracting activities are translated into DKK as follows: The items in the income statement and the balance sheet are translated according to weighted project rates, corresponding to the exchange rates according to forward exchange contracts entered into. As the exchange rates applied are the same during the entire project period, generally no exchange rate adjustments arise on large projects.

The financial statements of foreign subsidiaries that operate as independent entities are translated into DKK as follows: The items in the income statement are translated at average rates that do not differ materially from the exchange rates at the date of transaction. Balance sheet items are translated at c losing exchange rates. Exchange rate adjustments are recognised directly in equity.

The financial statements of international subsidiaries that operate as integrated entities are translated into DKK as follows: The items in the income statement are translated at average rates that do not differ materially from the exchange rates at the date of transaction. Current assets and liabilities are translated at closing exchange rates, whereas fixed assets and long-term liabilities are translated at historical rates. Exchange rate adjustments are recognised in the income statement.

The items from the subsidiaries are consolidated into the consolidated financial statements 100% line by line. The minority interests' proportional share of the net result and equity of the subsidiaries are included as separate items under the consolidated result for the year and equity.

Companies in which the Group holds between 20% and 50% of the voting rights or in some other way holds significant influence, but not control, are regarded as associated companies as described under the item "Financial fixed assets".

Foreign currency translation

Transactions in foreign currency are translated at the exchange rate at the transaction date. Exchange rate adjustments arising between the exchange rate at the transaction date and the payment date are recognised in the income statement.

Receivables, payables and other monetary items in foreign currency, which are not paid at the balance sheet date, are translated at the exchange rate at the balance sheet date. The difference between the exchange rate at the balance sheet date and the exchange rate at the time when the receivable or payable is incurred is recognised in the income statement.

Financial instruments

Financial instruments are initially recognised in the balance sheet at cost and subsequently measured according to fair value. The fair value of financial instruments is included in other debtors (positive fair value) or other creditors (negative fair value) as the case may be.

Changes in the fair value of financial instruments that hedge the fair value of already recognised assets or liabilities are recognised in the income statement under financial income or financial costs together with changes in the value of the assets and liabilities hedged.

Financial instruments used to hedge expected future transactions regarding specific projects or interest payments are measured at fair value on the balance sheet date, and value adjustments are recognised directly in equity until the hedged item is realised. When the hedged item is realised, the changes in value are recognised in the same accounting entry as the hedged item as stated above by transferring the changes in value from equity to the income statement.

Financial instruments which are not held for hedging purposes regarding specific projects or interest payments are recognised in the balance sheet at fair value on the balance sheet date. Value adjustments are recognised in the income statement under financial income or costs.

INCOME STATEMENT

Revenue

The Group's revenue is derived from contract activities, service contracts, etc.

Contract work and operational contracts are recognised according to the percentage-of-completion method. Profits on contracts are recognised by reference to actual stage of completion based on an estimate of both known and expected additional costs. In connection with consortiums, only the Group's share is taken into account.

Stage of completion is determined on the basis of an assessment of the work carried out, evaluated on the basis of costs incurred on the project, compared to the total estimated costs.

Realised profits on completed contracts are recognised net of provisions for warranties.
Income from spare part contracts is recognised when delivered.

Production costs

Production costs comprise expenses, including wages and salaries, raw materials and consumables, and depreciation made for purposes of generating the year's revenue, including indirect costs related to wages and salaries, rent and leases and depreciation.

Research costs and development costs that do not qualify for capitalisation and depreciation of capitalised development costs are recognised as production costs.

Write-downs in connection with expected losses on contract activities are recognised as production costs.

Sales costs

Costs related to offers and orders, including expenses r elated to sales personnel, marketing, including costs for IPP project development, and internal development projects, are recognised as sales costs.

Administrative costs

Costs related to management and group administration, including costs related to administrative officers, management, office premises, office expenses, depreciation etc., are recognised as administrative costs.

The administrative costs that are included in production overheads are transferred to production overheads.

Financial items

Financial income and costs include interest income and costs, realised and unrealised capital gains and losses, changes of financial instruments not designated as hedging arrangement, amortisation of financial assets and liabilities and surcharges and allowances under the advance-payment-of-tax scheme, etc. Financial income and costs are recognised at the amounts relating to the reporting period.

Tax

The estimated tax charge for the year is recognised in the income statement and is recorded as a current liability in the balance sheet. Non-refunded dividend tax concerning dividends from foreign subsidiaries is expensed in the year in which the dividend is declared.

The Company and its Parent Company are jointly taxed. The tax of the joint taxation income is fully allocated by payment of joint taxation contributions.

Deferred tax resulting from timing differences between income and expenses in the financial statements and the statement of taxable income and from tax loss carry-forwards is provided for in the balance sheet. Changes in the deferred tax charge for the year are taken to the income statement. Actual and deferred tax related to equity movements is recognised directly in equity.

BALANCE SHEET

Intangible and tangible fixed assets

Intangible and tangible fixed assets are measured at cost plus subsequent additions and revaluation and less accumulated amortisation/depreciation and impairments.

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Amortisation/depreciation in the year is provided on a straight-line basis over the estimated useful lives of the individual assets, using the following periods:

Goodwill	3 years
IT software	3-7 years
IT hardware	3 years
Development costs	3 years
Office building	100 years
Warehouse	25 years
Installations	10 years
Cars	5 years
Plant and equipment	5 years
Fixtures, fittings and tools Land is not depreciated	3-10 years

Development costs comprise costs, wages, salaries and amortisation directly and indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are evidenced, and where the Company intends to use the project, are recognised as intangible assets provided that the cost can be measured reliably and future earnings exceeding the capitalised costs. Other development costs are recognised in the income statement as incurred.

Financial fixed assets

Investments in subsidiaries and associated companies are recognised at the Parent Company's proportionate share of the net assets of the companies, calculated by reference to the accounting policies applied by the Parent Company, adjusted for proportionate share of unrealised intra-group profits and losses (the equity method).

Subsidiaries and associated companies whose net asset value is negative are recognised at DKK 0, and any receivables from these companies are written down by the Parent Company's share of the negative net asset value. If the net asset value exceeds the receivables, the residual amount is recognised under provisions provided that the Parent Company has a legal or actual obligation to cover the subsidiaries' deficits.

Net revaluation of investments in subsidiaries and associated companies is taken to equity as a net revaluation reserve according to the equity method to the extent that the carrying amount exceeds the cost.

Newly acquired or newly established companies are recognised in the financial statements from the time of acquisition. Companies sold or otherwise disposed of are recognised until the time of sale.

Profits or losses on the sale of subsidiaries and associated companies are stated as the difference between the selling price and the carrying amount of the net assets at the time of sale and expected costs related to the sale and/or disposal and recognised in the income statement under other income.

The takeover method is applied to newly acquired subsidiaries and associated companies. Thus, the assets and liabilities of such companies are measured at fair value at the time of acquisition.

Other securities

Other securities including equity investments are investments in unlisted shares that management considers investment securities. The equity investments are measured at cost.

Inventories

Inventories, including prepayments for goods, are measured at cost according to the FIFO principle. However, inventories are written down to the lower of cost or net realisable value.

Debtors

Debtors, etc. are measured at amortised cost, which usually equals the nominal value.

Impairment for bad debts are based on individual assessments if there is an objective indication that a debtor is impaired.

Contract work in progress

Contract work in progress is measured by reference to the stage of completion. Reference is made to the Revenue section.

The sales value is based on the stage of completion at the balance sheet date and the total expected income on the individual work in progress.

The individual work in progress is recognised in the balance sheet under debtors or liabilities other than provisions, dependent on the net value of the selling price less payments on account and prepayments. Costs related to sales work and contracts are recognised in the income statement as incurred.

Prepayments

Payments, made or received concerning costs or income in subsequent years are recognised as prepayments under receivables or current liabilities.

Warranty provisions

Warranty provisions comprise commitments to repair work within the guarantee period. Provisions are measured and recognised based on previous experience with guarantee work.

Other provisions

Other provisions comprise expected remaining costs relating to delivered contracts.

When it is probable that the total costs will exceed the total income on contract work in progress, a provision is made for the total loss expected to be incurred on the work. The provision is recognised as costs under production costs.

Proposed dividend

Proposed dividend for the year is included in the equity.

Financial liabilities

Financial liabilities are recognised from the raising of the loan at the proceeds received net of transaction costs incurred.

The financial liability is subsequently measured at amortised cost, equalling the capitalised value, using the effective interest rate method. The difference between the proceeds and the nominal value is thus recognised in the Income Statement over the loan term.

Other financial liabilities, which comprise trade creditors, payables to related and associated companies and other creditors, are measured at amortised cost, which usually corresponds to the nominal value.

CASH FLOW STATEMENT

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

A cash flow statement for the parent company has not been prepared in accordance with §86.4 of the Danish Financial Statements Act.

Cash flows from operating activities

Cash flows from operating activities are made up as the operating result, adjusted for non-cash operating and financial items, changes in working capital, financial items and paid income taxes.

Cash flows from investing activities

Cash flows from investing activities comprise payments related to additions and disposals of companies and additions and disposals of intangible and tangible assets.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related costs, raising of loans and repayments of interest-bearing debt and dividends distributed to shareholders.

Financial Ratio

Analysis of the financial ratios included in the group financial highlights:

Gross margin	$\dfrac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit ratio	$\dfrac{\text{Profit before tax x 100}}{\text{Revenue}}$
Solidity ratio	$\dfrac{\text{Equity at year-end x 100}}{\text{Total equity and liabilities at year-end}}$
Return on equity	$\dfrac{\text{Profit after tax x 100}}{\text{Average equity}}$

Notes
(in DKK thousands)

Note 2 **Revenue**

Parent Company 2017	Parent Company 2018		The Group 2018	The Group 2017
0	0	Final invoicing	2,146,546	2,850,283
0	0	Changes in contract work in progress	11,513	31,289
0	0		2,158,059	2,881,572

Revenue for the year is divided into the following geographical segments:

Parent Company 2017	Parent Company 2018		The Group 2018	The Group 2017
0	0	South and Central America	283,472	191,529
0	0	Southeast Asia	13,444	110,499
0	0	Africa and Middle East	990,575	624,308
0	0	Europe	870,568	1,955,236
0	0		2,158,059	2,881,572

Note 3 **Tax on profit for the year**

Parent Company 2017	Parent Company 2018		The Group 2018	The Group 2017
-271	-289	Income tax payable	17,342	18,567
0	0	Deferred tax	-46,713	-16,348
0	0	Tax on changes in equity	6,807	-683
0	0	Adjustment of tax concerning previous years	-3,666	-1,442
0	0	Paid dividend tax abroad	392	975
-271	-289		-25,838	1,069

Notes
(in DKK thousands)

Note 4 **Intangible assets**

	The Group			
	Software	**Goodwill**	**Development costs**	**Total**
Cost at 1 January 2018	77,935	8,988	16,000	102,923
Currency adjustment at 1 January 2018	0	99	0	99
Additions in the year	6,455	0	0	6,455
Cost at 31 December 2018	84,390	9,087	16,000	109,477
Depreciation at 1 January 2018	59,851	3,050	0	62,901
Currency adjustment at 1 January 2018	0	95	0	95
Depreciation for the year	11,358	1,625	5,333	18,316
Depreciation at 31 December 2018	71,209	4,770	5,333	81,312
Book value at 31 December 2018	13,181	4,317	10,667	28,165
Book value at 31 December 2017	18,084	5,938	16,000	40,022

Depreciation for the year DKKt 18,316 thousand is included in administrative costs (DKKt 15,363 in 2017)

Notes
(in DKK thousands)

Note 5 Tangible fixed assets

	The Group	
	Fixture and fittings, tools and equipment	**Land and buildings**
Cost at 1 January 2018	44,523	120,053
Currency adjustment at 1 January 2018	-147	0
Additions in the year	7,054	768
Disposals in the year	-2,459	0
Cost at 31 December 2018	48,971	120,821
Depreciation at 1 January 2018	27,786	50,432
Currency adjustment at 1 January 2018	-48	0
Depreciation for the year	6,633	1,561
Depreciation of disposals	-1,873	0
Depreciation at 31 December 2018	32,498	51,993
Book value at 31 December 2018	16,473	68,828
Book value at 31 December 2017	16,737	69,621

Depreciation for the year is included in:

	2018	**2017**
Cost of production	3,612	2,714
Sales costs	0	12
Administrative costs	4,582	4,138
	8,194	6,864

Notes
(in DKK thousands)

Note 6 Financial fixed assets

Parent Company	Investments	The Group	
Subsidiaries		**Associated Companies**	**Other securities**
150,000	Cost at 1 January 2018	477,323	269,264
0	Additions in the year	18,619	0
0	Transfer	30,945	-30,945
150,000	Cost at 31 December 2018	526,887	238,319
527,693	Revaluations/write-downs at 1 January 2018	-122,378	-15
-160,405	Profit share	3,844	0
0	Impairment loss	-87,000	0
-24,134	Changes in financial instruments	0	0
-5,652	Foreign exchange adjustments etc.	-6,424	-14,199
0	Distribution of dividend to parent company	-34,937	0
0	Elimination intercompany profit	2,456	0
337,502	Revaluations/write-downs at 31 December 2018	-244,439	-14,214
487,502	**Book value at 31 December 2018**	282,448	224,105
677,693	Book value at 31 December 2017	354,945	269,249

As per 31 December 2018, the accumulated elimination of the proportionate share of the intercompany profit of DKKm 108 (2016: DKKm 110) before tax has been deducted from the investments in associated companies

Note 7 Business combination

The purchase price is allocated as follows:	**2018**	**2017**
Fixtures and fittings, tools and equipment	0	1,800
Raw materials and consumables	0	200
Subtotal	**0**	**2,000**
Goodwill	0	7,000
Assets taken over related to projects	0	15,000
Purchase price	**0**	**24,000**

The 2017 purchase relates to acquired BWE activities

Notes
(in DKK thousands)

Note 8 Contract work in progress

Parent Company 2017	Parent Company 2018		The Group 2018	The Group 2017
0	0	Sales value of production in progress	4,976,796	4,965,283
0	0	Invoiced on account	-5,129,993	-4,819,913
0	0	Contract work in progress, net	-153,197	145,370
		Classified as follows:		
0	0	Receivables	516,348	554,200
0	0	Prepayments received from customers	-669,545	-408,830
0	0		-153,197	145,370

Note 9 Deferred tax

Parent Company 2017	Parent Company 2018		The Group 2018	The Group 2017
0	0	Deferred tax at 1 January	15,815	32,027
0	0	Adjustment concerning previous years	101	136
0	0	Deferred tax	-46,713	-16,348
0	0		-30,797	15,815
		Deferred tax can be specified as follows:		
0	0	Tangible fixed assets	10,336	11,502
0	0	Financial fixed assets	-23,877	-24,417
0	0	Intangible fixes assets	1,225	-62
0	0	Contract work in progress etc.	-18,481	29,060
0	0	Current assets	0	-268
0	0		-30,797	15,815
		Deferred tax distributed on		
0	0	Tax assets	-31,719	0
0	0	Tax liabilities	922	-15,815
0	0		-30,797	-15,815

Notes
(in DKK thousands)

Note 10 Other Provisions

Other Provisions DKKm 101 (2017: DKKm 122) cover estimated remaining liabilities in connection with finalised contracts including loss making projects, other than warranty provisions.

Approximately 90% of other provisions is expected to be settled within the next 12 months from the balance sheet date.

Note 11 Other long-term liabilities

Long-term debts maturing after 5 years from the end of the fiscal year amount to DKKm 0 (2017: DKKm 3).

The other long-term liabilities DKKm 5 (2017: DKKm 5) are non-interest bearing.

Note 12 Other creditors

Parent Company			The Group	
2017	**2018**		**2018**	**2017**
163	163	Payable payroll related costs	60,405	60,739
0	0	Financial instruments	17,331	10,499
0	0	Payable VAT	7,748	28,423
55	55	Other accrued expenses, etc.	16,695	1,096
218	218		102,179	100,757

Note 13 Audit fees

Parent Company			The Group	
2017	**2018**		**2018**	**2017**
55	55	Audit fee	1,088	1,180
0	0	Other declaration assignments	161	119
0	0	Tax advisory fee	715	1,049
0	0	Other fees	521	777
55	55		2,485	3,125

Notes
(in DKK thousands)

Note 14 **Staff costs etc.**

Parent Company 2017	Parent Company 2018		The Group 2018	The Group 2017
980	980	Wages and salaries	481,188	460,578
0	0	Pension contribution	8,395	6,225
4	4	Social security costs	13,265	9,813
984	984		502,848	476,616
		Including remuneration for:		
984	984	Board of Directors of Parent Company	984	984
1	1	Average number of employees	764	716

Note 15 **Financial instruments**

The subsidiary BWSC manages the currency hedging as well as the Group cash management. The major part of BWSC's cash flow are in DKK, EUR, USD and GBP. The future cash flow and net positions in currencies other than EUR and DKK will be hedged initially upon contract signing and during the project execution, if changes in currency net positions occur. Subsequently, investment in subsidiaries, and associated companies in foreign currency are not hedged.

Foreign exchange forwards contracts are used to hedge future cash flow and net positions. Interest rate swaps are used to hedge interest rate exposure on borrowings which is not within the treasury policy.

The market value of open derivative financial instruments allocated by type as follows:

Open foreign exchange transactions and options:

	2018			2017		
DKKt	**Sold**	**Bought**	**Net market value**	**Sold**	**Bought**	**Net market value**
USD	210.410	17.928	-9.643	0	6.208	-352
GBP	717.679	118.900	31.058	777.322	184.724	47.420
MUR	0	0	0	2.787	0	-27

Notes

(in DKK thousands)

Note 15. Derivative financial instruments (continued)

The Company has made interest swaps to hedge payment of interest on a mortgage loan with variable interest. The principal of the loan at 31 December 2018 is DKKm 16 (2017: DKKm 19) with a maturity of 5 years. The market value of the interest swaps as per 31 December 2018, amounted to DKKm -2 (2017: DKKm -3) which has been accounted for in the equity.

Of the net market value for foreign exchange hedging DKKm 21, DKKm 15 is recognised in the equity and DKKm 6 is recognised in the income statement.

The market value of foreign exchange hedging and interest rate hedging recognised in the equity amounts to DKKm 19 (2017: DKKm 44). The maturity is as follows:

- Within one year DKKm 10 (2017: DKKm 24)
- Between one and five years DKKm 9 (2017: DKKm 23)
- Later than five years DKKm 0 (2017: DKKm -3)

Note 16. Transactions between related parties

Purchase of diesel engines, spare parts, guarantees etc. from Mitsui E&S Holdings Co., Ltd., Japan and sale of goods to subsidiaries and associated companies have taken place at market conditions and accordingly the amounts are not stated.

Apart from intercompany transactions which have been eliminated in the Group accounts, plus purchase of services at DASH engineering, service sales to associated companies, remuneration for the Board of Directors and the Management, no transactions have been made with the Board of Directors, the Management, subsidiaries, and associated companies or other related parties during the year.

Group relationships
Burmeister & Wain Scandinavian Contractor A/S is 100% owned by Mesco Denmark A/S, which prepares its own consolidated financial statements. The Mesco Denmark financial statements can be obtained via BWSC or www.datacvr.virk.dk. The ultimate Parent Company is Mitsui E&S Holdings Co., Ltd., which prepares consolidated financial statements for the group in which BWSC is included.

Group Financial Statements for the ultimate Parent Company can be obtained from: Mitsui E&S Holdings Co., Ltd., 6-4, Tsukiji

Notes

(in DKK thousands)

Note 17. Contingency liabilities, security for loans, etc.

The Group has not entered into any material leasing obligations.

The Group is party to disputes and litigation from time to time which is normal for the Group's business. It is not estimated that the outcome of such disputes or litigation will have a material impact on the Group's financial position.

The Parent Company is jointly taxed with the other Danish entities in the Mesco Denmark Group. As management Company, the Company is jointly and severally liable, together with the other jointly taxed entities, for Danish income taxes and withholding taxes on dividends, interest and royalties within the Group of jointly taxes entities. Any subsequent adjustments of the joint taxable income or withholding taxes may result in an increase of the Company's liability.

Land and buildings with a book value of DKKm 69 (2017: DKKm 70) has been provided as security for mortgage debt. The total mortgage debt is DKKm 16 (2017: DKKm 19).

For a subsidiary service company in the UK, which has entered into a number of long term Operation and Maintenance contracts the Subsidiary Burmeister & Wain Scandinavian Contractor A/S has issued a parent company guarantee for the duration of the O&M contracts lifetime. The duration of the O&M contracts are up to 20 years.

The subsidiary Burmeister & Wain Scandinavian Contractor A/S has invested in power plants via associated companies and the not paid in committed capital in associated companies amounts to DKKm 3 at 31 December 2018. The not paid in capital will be paid in during 2019.

Note 18. Guarantees

At 31 December 2018 guarantees given by banks and credit insurance institutions on behalf of the subsisiary BWSC for contract work, etc. amounted to DKKm 1,883 (2017: DKKm 1,534). The guarantees are typically provided in the form of performance and down payment guarantees to cover project-related risks, such as performance, payment, quality and delay for projects and supplies towards our customers.

Notes
(in DKK thousands)

Note 19 Distribution of profit

It is recommended that the profit for the year, DKKt -161.432 is appropriated as follows:

	Parent company	
	2018	**2017**
Proposed dividend	0	13,000
Transferred to net revaluation reserves	20,494	7,185
Retained profit	-181,926	-44,768
	-161,432	-24,583

Note 20 Cash flow adjustments

	The Group	
	2018	**2017**
Amortization/deprecation	26,510	22,464
Changes in provisions	-18,448	123,908
Financial instruments	-15,875	-15,431
Elimination of intercompany profit	-2,456	-1,810
	-10,269	129,131

Note 21 Changes in working capital

	The Group	
	2018	**2017**
Changes in inventories	1,072	84
Changes in contract work in progress	298,567	155,318
Changes in trade receivables	862	-70,234
Changes in receivables from group enterprises and associates	-10,190	-3,511
Changes in other receivables	45,922	-9,601
Changes in prepayments and deferred income	-670	497
Changes in trade payables	-91,129	2,933
Changes in payables to group enterprises	605	-3,274
Changes in other payables	1,444	60,901
	246,483	133,113

Notes
(in DKK thousands)

Note 22 Events after the balance sheet date

No significant events that could materially affect the financial position at 31 December 2018 have occurred after the balance sheet date.