

Carsoe ApS

Mineralvej 6-8
9220 Aalborg Øst
CVR No. 14263942

Annual report 01.10.2021 - 31.12.2022

The Annual General Meeting adopted the
annual report on 14.07.2023

Casper Villadsen

Chairman of the General Meeting

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Entity details

Entity

Carsoe ApS

Mineralvej 6-8

9220 Aalborg Øst

Business Registration No.: 14263942

Date of foundation: 01.06.1990

Registered office: Aalborg

Financial year: 01.10.2021 - 31.12.2022

URL: www.carsoe.com

E-mail: info@carsoe.com

Board of Directors

Hugo Holst Dissing

Casper Villadsen

Jeppe Christensen

Executive Board

Hugo Holst Dissing

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Carsoe ApS for the financial year 01.10.2021 - 31.12.2022.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2022 and of the results of its operations for the financial year 01.10.2021 - 31.12.2022.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Aalborg, 14.07.2023

Executive Board

Hugo Holst Dissing

Board of Directors

Hugo Holst Dissing

Casper Villadsen

Jeppe Christensen

Independent auditor's report

To the shareholders of Carsoe ApS

Opinion

We have audited the financial statements of Carsoe ApS for the financial year 01.10.2021 - 31.12.2022, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2022 and of the results of its operations for the financial year 01.10.2021 - 31.12.2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aarhus, 14.07.2023

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Henrik Vedel

State Authorised Public Accountant
Identification No (MNE) mne10052

Jakob Olesen

State Authorised Public Accountant
Identification No (MNE) mne34492

Management commentary

Financial highlights

	2021/22	2020/21	2019/20	2018/19	2017/18
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Revenue	423,875	431,384	525,532	700,774	476,717
Gross profit/loss	2,859	165,451	179,447	187,441	148,849
Operating profit/loss	(67,241)	(2,448)	10,879	39,269	34,652
Net financials	(11,504)	(4,089)	1,603	(6,963)	(2,164)
Profit/loss for the year	(19,115)	10,131	21,733	25,304	27,494
Total assets	215,788	328,279	370,568	374,912	346,377
Investments in property, plant and equipment	2,811	2,769	4,978	12,962	7,211
Equity	43,523	56,907	90,225	97,007	48,491
Ratios					
Gross margin (%)	0.67	38.35	34.15	26.75	31.22
EBIT margin (%)	(15.86)	(0.57)	2.07	5.60	7.27
Net margin (%)	(4.51)	2.35	4.14	3.61	5.77
Return on equity (%)	(38.07)	13.77	23.22	34.78	63.75
Equity ratio (%)	20.17	17.33	24.35	25.87	14.00

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Gross margin (%):

$\frac{\text{Gross profit/loss}}{\text{Revenue}} * 100$

Revenue

EBIT margin (%):

$\frac{\text{Operating profit/loss}}{\text{Revenue}} * 100$

Revenue

Net margin (%):

$\frac{\text{Profit/loss for the year}}{\text{Revenue}} * 100$

Revenue

Return on equity (%):

$\frac{\text{Profit/loss for the year}}{\text{Average equity}} * 100$

Average equity

Equity ratio (%):

Equity * 100

Total assets

Primary activities

Carsoe ApS is a leading global provider of niche processing equipment and services for the onboard seafood and food processing industries. Carsoe ApS's activities comprise product development, manufacturing, engineering, installation and service.

Development in activities and finances

Carsoe ApS aim to be one of the world's leading suppliers of on-board equipment for Seafood. Throughout the year we have successfully managed to supply customers around the world with our own developed solutions. Even though the period 2021/22 was a year filled with turmoil.

Carsoe ApS have had significant business relations with customers in Russia. In this context, parts of the work in progress has been stopped. As a derived effect, inventory has been written down to net realization value.

The activities and subsidiaries in Carsoe ApS has been transferred to Carsoe Seafood ApS during the financial reporting period. Carsoe Seafood solely focuses on seafood processing equipment and the restructuring is expected to strengthen the market positions and growth opportunities for Carsoe Seafood ApS.

Profit/loss for the year in relation to expected developments

The Company's income statement for the year ended the 31.12.2022 show a loss before tax of 36,365k and the balance sheet at 31.12.2022 shows an equity of 43,523k.

2021/22 has been negatively impacted by extraordinary events following the Russian invasion. Carsoe ceased all activities related to the Russian market after the Russian invasion of Ukraine in February 2022, resulting in a substantial write-down of Russian-related assets. The accumulated negative effect of the ceasure of the Russian contracts amounts to approximately DKK 65m.

During the restructuring of the Group, Carsoe ApS has sold it's investments in group enterprises with a total profit of DKK 18m and intellectual property rights with a total profit of DKK 32m.

Carsoe ApS has had exposure to increased costs on energy, raw materials, and freight following the global turmoil. Throughout 2021/22 Carsoe ApS launched several successful initiatives to mitigate the increase in costs. Under the given market terms, the management consider the results less satisfactory.

Outlook

In 2023 the Company expects EBITDA for 2023 in the range of DKK 0m - 1m. Carsoe ApS will in the future have limited activity as Carsoe Seafood ApS will continue as the operational entity. Carsoe ApS is expected to have activity only related to a restricted number of intercompany transactions.

Particular risks

Financial risks

Carsoe Aps does not hedge the currency rate between Danish Krone (DKK) and the Euro (EUR) as this rate is fixed. Exposure to other currencies is limited, as euro is used as the main contract currency.

Knowledge resources

Carsoe ApS's business foundation is to supply high-tech and reliable equipment and installations for manufacturing and processing in the food and seafood industries. This places particularly high demands on our knowledge resources in the form of employee know-how and well-established business processes.

Research and development activities

Research and development activities are primarily done within the group, at the head office in Denmark. Development activities include the development of equipment and solutions within seafood processing.

Statutory report on corporate social responsibility

We refer to the statement on social responsibility, which is included in the consolidated financial statements for Carsoe Group A/S.

Statutory report on the underrepresented gender

We refer to the statement on the underrepresented gender, which is included in the consolidated financial statements for Carsoe Group A/S.

Statutory report on data ethics policy

Carsoe ApS is responsible for processing customer information that is provided to us or collected about our customers. We treat customer information with the utmost respect for confidentiality and privacy.

We have a clear corporate policy in place that governs how we use personal information to protect the privacy of our employees, customers, and other stakeholders. This policy is designed to ensure compliance with the Data Protection Act and the Data Protection Regulation, but as such we have not identified a need to establish a standalone Data Ethics Policy.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date that would influence the evaluation of this annual report.

Income statement for 2021/22

	Notes	2021/22 DKK'000	2020/21 DKK '000
Revenue	3	423,875	431,384
Other operating income	4	6,562	39,020
Costs of raw materials and consumables		(375,235)	(260,400)
Other external expenses	5	(52,343)	(44,553)
Gross profit/loss		2,859	165,451
Staff costs	6	(84,371)	(152,849)
Depreciation, amortisation and impairment losses	7	14,271	(15,050)
Operating profit/loss		(67,241)	(2,448)
Income from investments in group enterprises		42,380	14,865
Other financial income	8	2,545	2,990
Other financial expenses	9	(14,049)	(7,079)
Profit/loss before tax		(36,365)	8,328
Tax on profit/loss for the year	10	17,250	1,803
Profit/loss for the year	11	(19,115)	10,131

Balance sheet at 31.12.2022

Assets

	Notes	2021/22 DKK'000	2020/21 DKK'000
Completed development projects	13	0	7,739
Acquired intangible assets		0	5,114
Development projects in progress	13	0	2,884
Intangible assets	12	0	15,737
Plant and machinery		0	3,848
Other fixtures and fittings, tools and equipment		0	2,620
Leasehold improvements		0	20,425
Property, plant and equipment	14	0	26,893
Investments in group enterprises		0	106,887
Deposits		47	1,356
Financial assets	15	47	108,243
Fixed assets		47	150,873

Raw materials and consumables		500	16,075
Work in progress		70	579
Manufactured goods and goods for resale		4,589	12,406
Prepayments for goods		838	10,078
Inventories		5,997	39,138
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Trade receivables		1,796	87,925
Contract work in progress	16	0	31,421
Receivables from group enterprises		193,627	4,581
Deferred tax	17	186	0
Other receivables		3,427	3,954
Prepayments	18	0	1,419
Receivables		199,036	129,300
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Cash		10,708	8,968
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Current assets		215,741	177,406
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Assets		215,788	328,279
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Equity and liabilities

	Notes	2021/22 DKK'000	2020/21 DKK'000
Contributed capital	19	584	584
Reserve for net revaluation according to the equity method		0	42,688
Reserve for development expenditure		0	8,286
Retained earnings		42,939	5,349
Equity		43,523	56,907
Deferred tax	17	0	23,282
Other provisions	20	3,664	5,968
Provisions		3,664	29,250
Other payables	21	7,412	17,557
Non-current liabilities other than provisions	22	7,412	17,557
Bank loans		104,734	56,759
Contract work in progress	16	11,901	51,904
Trade payables		4,247	58,703
Payables to group enterprises		23,665	21,812
Joint taxation contribution payable		6,219	0
Other payables	23	10,423	35,387
Current liabilities other than provisions		161,189	224,565
Liabilities other than provisions		168,601	242,122
Equity and liabilities		215,788	328,279
Unusual circumstances	1		
Events after the balance sheet date	2		
Unrecognised rental and lease commitments	24		
Contingent liabilities	25		
Assets charged and collateral	26		
Related parties with controlling interest	27		
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Statement of changes in equity for 2021/22

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	584	42,688	8,286	5,349	56,907
Exchange rate adjustments	0	5,731	0	0	5,731
Transfer to reserves	0	(48,419)	(8,286)	56,705	0
Profit/loss for the year	0	0	0	(19,115)	(19,115)
Equity end of year	584	0	0	42,939	43,523

Notes

1 Unusual circumstances

2021/22 has been negatively impacted by extraordinary events following the Russian invasion. Carsoe ceased all activities related to the Russian market after the Russian invasion of Ukraine in February 2022, resulting in a substantial write-down of Russian-related assets. The accumulated negative effect of the ceasure of the Russian contracts amounts to approximately DKK 65m.

During the restructuring of the Group, Carsoe ApS has sold it's investments in group enterprises with a total profit of DKK 18m and intelectual property rights with a total profit of DKK 32m.

2 Events after the balance sheet date

No events have occurred after the balance sheet date to this date that would influence the evaluation of this annual report.

3 Revenue

	2021/22	2020/21
	DKK'000	DKK'000
Europe	391,068	399,031
Other continents	32,807	32,353
Total revenue by geographical market	423,875	431,384
Onshore	86,469	121,190
Offshore	337,406	310,194
Total revenue by activity	423,875	431,384

4 Other operating income

Other operating income comprises received compensation regarding staff costs DKK 3,982k in 2022 (2021: DKK 7,275k), profit from the sale of the tank division 2022 DKK 0k (2021: DKK 29,868k) and other income.

5 Fees to the auditor appointed by the Annual General Meeting

Referring to section 96(3) of the Danish Financial Statements Act, fees to the auditor appointed by the Annual General Meeting has not been disclosed.

6 Staff costs

	2021/22	2020/21
	DKK'000	DKK'000
Wages and salaries	73,309	134,386
Pension costs	9,222	15,957
Other social security costs	1,840	2,506
	84,371	152,849
Average number of full-time employees	213	220

	Remuneration of Management 2021/22 DKK'000	Remuneration of Management 2020/21 DKK'000
Executive Board	0	1,626
Board of Directors	0	554
Total amount for management categories	1,612	0
	1,612	2,180

In the comparison year there has been two members of the executive board why the management fee note was specified in categories. In 2021/22 there has been only one member of the executive board.

As of 31 December 2022 no staff is employed by Carsoe ApS.

7 Depreciation, amortisation and impairment losses

	2021/22 DKK'000	2020/21 DKK'000
Amortisation of intangible assets	5,666	5,163
Depreciation of property, plant and equipment	11,631	9,614
Profit/loss from sale of intangible assets and property, plant and equipment	(31,568)	273
	(14,271)	15,050

8 Other financial income

	2021/22 DKK'000	2020/21 DKK'000
Financial income from group enterprises	1,674	206
Other interest income	2	62
Exchange rate adjustments	869	2,722
	2,545	2,990

9 Other financial expenses

	2021/22 DKK'000	2020/21 DKK'000
Financial expenses from group enterprises	3,423	1,240
Other interest expenses	4,916	2,360
Exchange rate adjustments	5,710	3,479
	14,049	7,079

10 Tax on profit/loss for the year

	2021/22	2020/21
	DKK'000	DKK'000
Current tax	6,217	0
Change in deferred tax	(23,524)	(1,803)
Adjustment concerning previous years	57	0
	(17,250)	(1,803)

11 Proposed distribution of profit and loss

	2021/22	2020/21
	DKK'000	DKK'000
Retained earnings	(19,115)	10,131
	(19,115)	10,131

12 Intangible assets

	Completed development projects DKK'000	Acquired intangible assets DKK'000	Development projects in progress DKK'000
Cost beginning of year	14,619	12,464	2,884
Additions	0	435	894
Disposals	(14,619)	(12,899)	(3,778)
Cost end of year	0	0	0
Amortisation and impairment losses beginning of year	(6,880)	(7,350)	0
Amortisation for the year	(3,029)	(2,637)	0
Reversal regarding disposals	9,909	9,987	0
Amortisation and impairment losses end of year	0	0	0
Carrying amount end of year	0	0	0

13 Development projects

Completed development projects comprises development etc. of machinery and equipment within the Group's business areas. As of 31 December 2022 the development projects has been sold, why the carrying amount of completed development projects amounts to DKK 0k.

14 Property, plant and equipment

	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000
Cost beginning of year	13,932	9,021	47,406
Additions	86	619	2,106
Disposals	(14,018)	(9,640)	(49,512)
Cost end of year	0	0	0
Depreciation and impairment losses beginning of year	(10,084)	(6,401)	(26,981)
Depreciation for the year	(1,893)	(1,289)	(8,449)
Reversal regarding disposals	11,977	7,690	35,430
Depreciation and impairment losses end of year	0	0	0
Carrying amount end of year	0	0	0

15 Financial assets

	Investments in group enterprises DKK'000	Deposits DKK'000
Cost beginning of year	64,199	1,356
Disposals	(64,199)	(1,309)
Cost end of year	0	47
Revaluations beginning of year	42,688	0
Exchange rate adjustments	5,731	0
Amortisation of goodwill	(4,830)	0
Share of profit/loss for the year	30,163	0
Other adjustments	(700)	0
Reversal regarding disposals	(73,052)	0
Revaluations end of year	0	0
Carrying amount end of year	0	47

Profit from divestment of enterprises amounts to DKK 17,749k in 2021/22.

16 Contract work in progress

	2021/22 DKK'000	2020/21 DKK'000
Contract work in progress	151,402	754,432
Progress billings regarding contract work in progress	(163,303)	(774,915)
Transferred to liabilities other than provisions	11,901	51,904
	0	31,421

17 Deferred tax

	2021/22	2020/21
	DKK'000	DKK'000
Intangible assets	0	(2,904)
Property, plant and equipment	0	2,308
Inventories	(43)	(327)
Receivables	(578)	(27,273)
Provisions	807	1,148
Liabilities other than provisions	0	(312)
Tax losses carried forward	0	4,078
Deferred tax	186	(23,282)

Changes during the year	2021/22
	DKK'000
Beginning of year	(23,282)
Recognised in the income statement	23,468
End of year	186

Deferred tax assets

Deferred tax assets are recognised in the balance sheet at their estimated realisable value. The deferred tax assets do not include tax loss carryforwards.

18 Prepayments

Prepayments comprises prepaid expenses such as software license, insurance and other prepaid expenses.

19 Share capital

	Number	Par value	Nominal
		DKK'000	value
			DKK'000
A-shares	465,120	0,001	465
B-shares	118,615	0,001	119
	583,735		584

20 Other provisions

Other provisions comprise expected losses from contract work in progress and non-recourse guarantee commitments to remedy defects and deficiencies within the guarantee period.

21 Other payables

	2021/22	2020/21
	DKK'000	DKK'000
Holiday pay obligation	7,412	7,295
Other costs payable	0	10,262
	7,412	17,557

Other payables includes employee tax loans from the Danish government in relation to payable income taxes which amounts to DKK 0k (2020/21: DKK 10,262k).

22 Non-current liabilities other than provisions

	Due after more than 12 months 2021/22 DKK'000	Outstanding after 5 years 2021/22 DKK'000
Other payables	7,412	6,990
	7,412	6,990

23 Other payables

	2021/22 DKK'000	2020/21 DKK'000
VAT and duties	0	6
Wages and salaries, personal income taxes, social security costs, etc payable	8	17,895
Holiday pay obligation	0	3,791
Other costs payable	10,415	13,695
	10,423	35,387

Other payables includes employee tax loans from the Danish government in relation to payable income taxes which amounts to DKK 10,262k. (2020/21: DKK 13,695k) The loans are due in the first half of 2023.

24 Unrecognised rental and lease commitments

	2021/22 DKK'000	2020/21 DKK'000
Liabilities under rental or lease agreements until maturity in total	0	22,343

25 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Carsoe Group A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

26 Assets charged and collateral

Bank debt is secured by floating charge of DKK 30,000k. The carrying amount is DKK 7,794k.

27 Related parties with controlling interest

Carsoe Holdco A/S, Danmark own all shares in Carsoe ApS and have controlling interest.

Carsoe Group A/S, Danmark own all shares in Carsoe Holdco A/S and have controlling interest.

Plemont Co-Investment No. 1 Seperate Limited Partnership, Jersey own shares in Carsoe Group A/S and have controlling interest.

28 Transactions with related parties

	Parent	Subsidiaries
	DKK'000	DKK'000
Revenue	0	82,033
Purchase of goods	0	125,328
Management fee (income)	2,403	(2,580)
Staff costs	2,163	0
Intercompany interest (income)	854	(2,603)
Sale of activities and subsidiaries	0	136,044
Receivables	89,941	103,686
Liabilities other than provisions	21,253	2,412

Subsidiaries comprise the affiliated companies Carsoe Seafood ApS, Holmek Palletering AS, Freezertech LTD, Damgaard Automatik A/S and Qupaq ApS. Parent companies comprise Carsoe Holdco A/S and Carsoe Group A/S.

The activities and subsidiaries in Carsoe ApS has been transferred to Carsoe Seafood ApS during the financial reporting period.

29 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Carsoe Group A/S, Aalborg

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied to these financial statements are consistent with those applied last year.

Consolidated financial statements

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Non-comparability

Due to restructuring of the accounting period it is not possible to compare accounting period 2021/22 with a total of 15 months and accounting period 2020/21 with a total of 12 months.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Business combinations

Divested or wound-up enterprises are recognised in the income statement up to the time of their divestment or winding-up.

Profit or loss from divestment of enterprises

Profits or losses from divestment or winding-up of enterprises are calculated as the difference between selling price or settlement price and the carrying amount of the net assets at the time of divestment and winding-up, respectively, including any non-amortised goodwill and estimated selling or winding-up expenses.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in the translation reserve in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are recognised directly in the translation reserve in equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement

Revenue

Entered contracts which is consisting of several separate contracts is divided into individual contracts according to the relative fair value method. Each individual contract is recognised in revenue when the criterias of recognising sales of goods, services and contracts are fulfilled.

A contract is divided into single transactions when it is possible to estimate the fair value of the single transaction with high certainty and each transaction has separate value for the customer. Transactions are assessed to have separate value for the customer when it is possible to identify the transaction and is normally sold on an individual basis. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Revenue from sale of goods

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer, it is possible to estimate and payment is expected.

Assessment of delivery and risk is assessed in accordance with Incoterms. In situations where goods sold is delivered on an ongoing basis and is integrated with the customers property the revenue is recognised in the income statement concurrently with delivery by which the revenue equals the fair value of the work performed.

Revenue from work in progress

Contracts where the delivery of plants with high individual adjustments is recognised in revenue concurrently with the production by which the revenue equals the fair value of the work performed (the percentage of completion method). If the result of a contract cannot be assessed with high certainty, the contract will only be recognised at cost in the extent that cost will be covered.

Revenue from services

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages, and social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses and profit or loss from divestment of enterprises.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet**Intellectual property rights etc**

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity in the reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs of intangible assets used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 5 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 5 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised over the term of the agreement. The used amortisation periods are 3-5 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Land and buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-constructed assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

	Useful life
Plant and machinery	3 to 8 years
Other fixtures and fittings, tools and equipment	3 to 7 years
Leasehold improvements	5 to 10 yrs

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses. Refer to the above section on business combinations for more details about the accounting policies used on acquisitions of investments in group enterprises.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to the reserve for net revaluation according to the equity method in equity.

Goodwill is the positive difference between cost of investments and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 10 years.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Contract work in progress

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet in receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts, and finance costs are recognised in the income statement as incurred.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises bank deposits.

Other provisions

Other provisions comprise expected losses on contract work in progress and anticipated costs of non-recourse guarantee commitments etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Joint taxation contributions payable or receivable

Current joint taxation contributions receivable or joint taxation contributions payable are recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Cash flow statement

Referring to section 86(4) of the Danish Financial Statements Act, the Entity has prepared no cash flow statement as such statement is included in the consolidated cash flow statement of Carsoe Group A/S, Business Reg. No. 39893932.