Danstoker A/S

Industrivej Nord 13, 7400 Herning

CVR no. 16 14 72 49

Annual report 2018/19

Approved at the Company's annual general meeting on 29 July 2019

Chairman:

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Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Danstoker A/S for the financial year 1 April 2018 - 31 March 2019.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 31 March 2019 and of the results of the Company's operations for the financial year1 April 2018 - 31 March 2019.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Herning, 16 May 2019

Executive Board:

Jan Enemark	Kurt Myhlert Olsen

Board of Directors:

Hemant Prabhakar Mohgaonkar Chairman	Amitabha Mukhopadhyay Vice Chairman	Jan Enemark
Rakesh Rampratap Tripathi	Holger Michael D. Jepsen (Elected by the employees)	Jørn Henriksen (Elected by the employees)

Independent auditor's report

To the shareholders of Danstoker A/S

Opinion

We have audited the financial statements of Danstoker A/S for the financial year 1 April 2018 - 31 March 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including 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 financial position of the Company at 31 March 2019 and of the results of the Company's operations for the financial year 1 April 2018 - 31 March 2019 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 our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 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 the financial statements.

As part of an audit conducted in accordance with ISAs and 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.

Independent auditor's report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the 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 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 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 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.

Esbjerg, 16 May 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Morten Østergaard Koch	Claes Jensen
State Authorised	State Authorised
Public Accountant	Public Accountant
mne35420	mne44108

Management's review

Company details

Name	Danstoker A/S
Address	Industrivej Nord 13
Zip code, city	DK-7400 Herning
CVR no.	16 14 72 49
Established	13 April 1992
Registered office	Herning
Financial year	1 April – 31 March
Telephone	+ 45 99 28 71 00
Board of Directors	Hemant Prabhakar Mohgaonkar (Chairman) Amitabha Mukhopadhyay (Vice Chairman) Jan Enemark Rakesh Rampratap Tripathi Holger Michael D. Jepsen (Elected by the employees) Jørn Henriksen (Elected by the employees)
Executive Board	Jan Enemark Kurt Myhlert Olsen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Havnegade 33 DK-6700 Esbjerg

Management's review

Financial highlights

DKK m	2018/19	2017/18	2016/17	2015/16	2014/15
Key figures					
Gross profit	28	28	39	33	29
Ordinary operating profit/loss	-8	-8	9	4	-1
Profit/loss before tax	-27	-14	6	3	-58
Profit/loss for the year	-25	-12	4	3	-58
Total assets	135	110	90	90	89
Investment in property, plant and equipment	5	1	2	2	2
Equity	50	35	33	28	25
Financial ratios					
Equity ratio	36.9	32.1	36.0	31.6	28.4
Return on equity	-59.0	-36.1	10.1	11.5	-96.2
Average number of full-time employees	115	121	122	136	144

For terms and definitions, please see the accounting policies.

Management's review

Operating review

Danstoker A/S, which has its registered address in the municipality of Herning, is a fully-owned subsidiary of Thermax Denmark ApS.

The ultimate parent company of the company is RDA Holdings Private Limited, Pune, India, which holds the majority through the listed company Thermax Ltd., Pune, India.

Danstoker A/S is the parent company of Boilerworks A/S and Danstoker Poland Sp. Z.o.o.

The Danstoker Group designs, manufactures and sells boilers and associated equipment to the energy market, including also rebuilding and servicing of boilers. The Danstoker Group product range is continuously adapted to the 4 energy categories:

- Solid fuel market, mainly based on biofuels
- Combined heat and power market
- Exhaust gas market
- Oil/gas market

Development during the year under review

Danstoker A/S has had a lower level of activity than expected within the biomass segment but has nevertheless been able to maintain its position as the absolute market-leader within medium-sized biofuel boilers in Scandinavia.

Within the market segment of oil and gas-fired boilers, Danstoker has maintained its position in the primary markets, and with the new setup in Poland we will develop a stronger position in the east part of Europe.

The market segments for combined heat and power boilers and for exhaust gas boilers have been more or less on budget in the year under review, and the after-sales services activities have developed positively.

The main activities of Boilerworks A/S are service jobs on water-tube boilers and the manufacture of economizers and high pressure boiler components of the water-tube design. Many service jobs have been put on hold, but optimism is clearly returning to the markets again.

This year, the Danstoker Group has achieved overall results that are lower than provided for in the budget. The primary reasons for this result are the investment in Danstoker Poland Sp. Z.o.o facility, delayed maturation of pipeline projects, deviations from 3 major projects, several bankruptcies among customers and suppliers and consolidation in the market. The bio market was partly halted by energy policy uncertainties and low oil / gas prices. The result is not satisfactory.

Profit for the year before tax amounts to DKK -27,170 thousand and profit after tax amounts to DKK -25,085 thousand.

Management's review

Environmental conditions

Danstoker A/S is devoted to environmental issues and is constantly striving to reduce the environmental impact resulting from the operations of the Company. The Company has no outstanding issues with the environmental authorities in complying with environmental permits and other environmental regulations.

Events after the balance sheet date

The Management is of the opinion, that from the balance sheet date until today, no events have occurred which could substantially alter the assessment of the annual report.

In April 2019 the Management has decided to merge Danstoker A/S and Boilerworks A/S with Danstoker as the continuing entity.

Future outlook

The overall volume of orders of the Danstoker Group at the end of the financial year is lower than last year but satisfactory.

It is the aim of the Danstoker Group to create 3 profitable, strong and individually independent sales companies in Danstoker A/S, Danstoker Poland Sp. z o.o. and Boilerworks A/S, all as an attractive workplace with competent employees, based on competitive products sold to professional co-operation partners and customers in selected markets where such products are supplied in the quality and at the time and price agreed.

It is also the Group's aim to achieve optimal utilisation of the production facilities.

The Management of Danstoker A/S is not of the opinion that the Company is facing special long-term risks, neither in its markets nor otherwise.

The growing, necessary, political focus on CO_2 on a global scale will in the long term contribute to making our CO_2-neutral products within biofuels even more relevant and will contribute to securing the Danstoker Group's continued positive development.

Satisfactory results are expected for the financial year 2019/20.

Financial statements 1 April 2018 – 31 March 2019

Income statement

Note	DKK'000	2018/19	2017/18
	Gross profit	27.825	28,328
	Sales and distribution costs	-19,179	-20,139
	Administrative expenses	-16,709	-16,577
	Operating profit/loss	-8,063	-8,388
7	Profit/loss on investments in subsidiaries	-17,659	-4,836
2	Financial income	318	491
3	Financial expenses	-1,766	-1,368
	Profit/loss before tax	-27,170	-14,101
4	Tax on profit/loss for the year	2,085	1,857
	Profit/loss for the year	-25,085	-12,244

Financial statements 1 April 2018 – 31 March 2019

Balance sheet

Note	DKK'000	2018/19	2017/18
	ASSETS		
	Non-current assets		
5	Intangible assets		
	Licences, software	1,870	2,675
	Intangible assets in progress	850	0
		2,720	2,675
6	Property, plant and equipment		
	Plant and machinery	6,977	4,583
	Fixtures and fittings, tools and equipment	852	1,195
		7,829	5,778
7	Investments		
	Investments in subsidiaries	0	615
		0	615
	Total non-current assets	10,549	9,068
	Current assets		
	Inventories		
	Raw materials and consumables	12,268	12,773
	Semi-finished goods	2,246	2,824
		14,514	15,597
	Receivables		
	Trade receivables	13,172	20,161
8	Work in progress (customer-specific orders)	46,049	34,145
	Amounts owed by group companies	43,111	27,511
	Other receivables	1,684	1,195
9	Prepayments	2,558	2,014
		106,573	85,026
	Cash at bank and in hand	3,203	155
	Total current assets	124,290	100,778
	TOTAL ASSETS	134,840	109,846

Financial statements 1 April 2017 – 31 March 2018

Balance sheet

Note	DKK'000	2018/19	2017/18
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	10,001	10,001
	Reserve for development cost	663	0
	Retained earnings	39,118	25,295
	Total equity	49,782	35,296
	Provisions		
10	Deferred tax	2,547	6,882
11	Other provisions	4,349	5,130
	Total provisions	6,896	12,012
	Liabilities other than provisions		
12	Non-current liabilities		
	Lease liabilities	2,924	738
		2,924	738
	Current liabilities		
12	Current portion of non-current liabilities other than provisions	846	269
	Bank loans	205	13,812
8	Prepayments received from customers	12,679	5,934
	Trade payables	14,288	14,359
	Amounts owed to group companies	33,384	13,885
	Other payables	13,836	13,541
		75,238	61,800
	Total liabilities other than provisions	78,162	62,538
	TOTAL EQUITY AND LIABILITIES	134,840	109,846

1 Accounting policies
13 Employee relations
14 Charges, collateral and contingencies, etc.
15 Related parties

Financial statements 1 April 2018 – 31 March 2019

Statement of changes in equity

Note	DKK'000	Share capital	Reserve for develop-ment cost	Retained earnings	Total
	Equity at 1 April 2018	10,001	0	25,295	35,296
16	Retained profit for the year	0	663	-25,748	-25,085
	Equity contribution from parent	0	0	40,171	40,171
	Change in value adjustments of hedging instruments after tax	0	0	-109	-109
	Change in value adjustments of hedging instruments in investment after tax	0	0	-102	-102
	Exchange rate adjustment in investments	0	0	-389	-389
	Equity at 31 March 2019	10,001	663	39,118	49,782

The share capital consists of 1 share at a nominal amount of DKK 10,001,000.

Financial statements 1 April 2018 - 31 March 2019

Notes to the financial statements

1 Accounting policies

The annual report of Danstoker A/S for the period 1 April 2018 - 31 March 2019 has been prepared in accordance with the provisions applying to reporting class C medium-sized enterprises under the Danish Financial Statements Act.

Consolidated financial statements and cash flow statements have not been prepared as the same are not required as per section 86(4) and 112(1) of the Danish Financial Statements Act. The annual report of Danstoker A/S and related subsidiaries forms part of the consolidated financial statements of the Danish parent company, Thermax Denmark ApS.

The financial statements have been prepared in accordance with the same accounting policies as last year.

General comments on recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of such assets can be reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and the value of such liabilities can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned. Moreover, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment losses and provisions as well as reversals as a result of changes in accounting estimates of amounts that were previously recognised in the income statement.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated into Danish kroner at the exchange rates at the transaction date. Exchange rate differences arising between the exchange rates at the transaction date and the exchange rate at the date of payment are recognised as a financial income or financial expenses in the income statement.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the exchange rates at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised as financial income or financial expenses in the income statement.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Financial statements 1 April 2018 – 31 March 2019

Notes to the financial statements

1 Accounting policies (continued)

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets and liabilities are recognised in other receivables or other payables and in equity. If the forecast transaction results in the recognition of assets or liabilities, amounts previously

recognised in equity are transferred to the cost of the asset or liability, respectively. If the forecast transaction results in income or expenses, amounts previously recognised in equity are transferred to the income statement in the period in which the hedged item affects profit or loss.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement on a regular basis.

Income statement

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement provided that delivery and transfer of risk to the buyer have taken place by the end of the year and that the income can be reliably measured and is expected to be received. Revenue is recognised ex. VAT and taxes charged on behalf of third parties.

Work in progress concerning customised production is recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (the percentage of completion method).

Production costs

Production costs comprise costs, including depreciation and amortisation and salaries, incurred in generating revenue for the year. Such costs include direct and indirect costs related to raw materials and consumables, wages and salaries, rent and leases as well as impairment losses on production plant.

Gross profit

The items revenue, production costs and other operating income have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

Sales and distribution costs

Sales and distribution costs comprise costs incurred for the distribution of goods sold during the year and for sales campaigns, etc., carried out during the year. Also, costs relating to sales staff, advertising, exhibition and depreciation are recognised as sales and distribution costs.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for management and administration of the Company, including expenses for administrative staff, office premises and office expenses as well as depreciation.

Profit/loss from investments in subsidiaries

The Company's proportional share of the results after tax of the subsidiaries is recognised in the income statement after full elimination of intra-group gains/losses and after deduction of amortisation of goodwill.

Financial statements 1 April 2018 – 31 March 2019

Notes to the financial statements

1 Accounting policies (continued)

Financial income and expenses

Financial income and expenses comprise interest income and expense, capital gains and capital loss on securities, payables and transactions denominated in foreign currencies and amortisation of financial assets and liabilities.

Tax on profit/loss for the year

The Company is covered by the Danish rules on compulsory joint taxation of the Thermax Denmark ApS. Subsidiaries form part of the joint taxation from the date on which they are included in the consolidation and up to the date on which they exit the consolidation.

The Danish parent company, Thermax Denmark ApS, is the administrative company for the joint taxation and therefore settles all payments of corporation tax with the tax authorities.

The current Danish corporation tax is allocated between the jointly taxed enterprises in proportion to their taxable income. In this relation, enterprises with tax loss carry-forwards receive joint taxation contribution from enterprises which have used these losses to reduce their own taxable profits. The jointly taxed enterprises are taxed under the tax prepayment scheme.

Tax for the year which comprises joint taxation contributions, tax for the year and any changes in deferred tax is recognised in the income statement. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Intangible assets

Licences, software are measured at cost less accumulated amortisation and impairment losses. Amortisation takes place on a straight-line basis over the expected useful life which has been fixed at three years.

Gains or losses in connection with the disposal of software are stated as the difference between the selling price less selling costs and the carrying amount at the time of the sale. Gains or losses are recognised in the income statement under other operating income or other operating expenses, respectively.

Property, plant and equipment

Plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is ready for use.

Depreciation is provided on a straight-line basis over the expected useful lives and estimated residual values of the assets. The expected useful lives are as follows:

Plant and machinery	3-10 years
Fixtures and fittings, tools and equipment	3-5 years

Financial statements 1 April 2018 – 31 March 2019

Notes to the financial statements

1 Accounting policies (continued)

Assets with a cost of less than DKK 14 thousand per unit are recognised as costs in the income statement in the year of acquisition.

Depreciation is recognised in the income statement as production costs, sales and distribution costs and administrative expenses, respectively.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Leases

Leases for non-current assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are initially recognised in the balance sheet at cost, corresponding to the lower of fair value and the net present value of future lease payments. In calculating the net present value of the future lease payments, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Company's other non-current assets.

The capitalised residual lease obligation is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

All other leases are treated as operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed in contingent liabilities, etc.

Investments in subsidiaries

Investments in subsidiaries are measured according to the equity method.

Investments in subsidiaries are measured at the proportionate share of the equity value of the enterprises calculated in accordance with the Group's accounting policies minus or plus unrealised intra-group gains and losses and plus or minus the residual value of positive or negative goodwill determined in accordance with the purchase method.

Investments in subsidiaries with negative book values are measured at DKK 0 (nil), and any receivables from these companies are written down if the receivables are irrecoverable. If the parent company has any legal or constructive obligation to cover a deficit exceeding the receivables, the remaining amount is recognised under provisions.

Net revaluation of investments in subsidiaries is recognised in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds cost. Dividends from subsidiaries that are expected to be decided on prior to the adoption of the annual report of Danstoker A/S are not recognised in the net revaluation reserve.

On acquisition of new companies, the purchase method is applied.

Impairment of assets

The carrying amount of intangible assets and property, plant and equipment as well as investments in subsidiaries is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

Financial statements 1 April 2018 – 31 March 2019

Notes to the financial statements

1 Accounting policies (continued)

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the expected net cash flows from the use of the asset or the group of assets and expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

Inventories are measured at average cost. Where the net realisable value is lower than cost, inventories are written down to the net realisable value.

Raw materials and consumables are measured at cost, comprising purchase price plus delivery costs. Semi-finished goods are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment as well as factory administration and management.

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

Receivables

Receivables are measured at amortised cost. Write-down to net realisable value is made for expected losses.

Work in process (customised orders)

Work in progress (customised orders) are measured at the selling price of the work performed, less any payments received on account of the customer and expected losses. The orders are characterized by the fact that the orders contain high levels of individualization of the design. Moreover, it is a requirement that before the execution of the order is initiated, a binding order has been entered, which will result in penalty or replacement by later removal.

The selling price is measured by reference to the stage of completion at the balance sheet date and total expected income from the contract. The stage of completion is determined on the basis of an estimate of the work, usually calculated as the ratio between the costs incurred and total estimated costs of the order or hours worked and the total estimated hours worked for that order.

When it is probable that total costs for an order will exceed total revenue, the expected loss on the order is immediately recognised as an expense and a provision.

When the selling price of an individual order cannot be measured reliably, the selling price is measured at the lower of costs incurred and net realisable value.

Net assets are determined as the sum of orders where the selling price of the work performed exceeds progress billings. Net liabilities are determined as the sum of orders where progress billings exceed the selling price.

Prepayments from customers are recognised as liabilities.

Selling costs and costs incurred in securing contracts are recognised in the income statement when incurred.

Prepayments

Prepayments comprise costs incurred in relation to subsequent financial years.

Financial statements 1 April 2018 – 31 March 2019

Notes to the financial statements

1 Accounting policies (continued)

Equity

Reserve for net revaluation according to the equity method

Net revaluation of investments in subsidiaries is recognised at cost in the reserve for net revaluation according to the equity method.

The reserve may be eliminated in case of a loss, realisation of investments or changes in accounting estimates.

The reserve cannot be recognised at a negative amount.

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognised development costs are amortised or no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Dividends

Proposed dividends are recognised as a liability at the date of adoption by the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

According to the joint taxation rules, the enterprises' liability for their own corporation tax payments to the tax authorities is settled concurrently with payment of the joint taxation contribution to the administrative company.

Joint taxation contributions payable and receivable are recognised in the balance sheet under balances with group enterprises.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. Where alternative tax rules can be applied to determine the tax value, deferred tax is measured based on Management's planned use of the asset or the settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carry-forwards, are recognised under assets at the expected value of their utilisation, either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured in accordance with the tax rules applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Financial statements 1 April 2018 – 31 March 2019

Notes to the financial statements

1 Accounting policies (continued)

Other provisions

Provisions comprise anticipated costs related to warranties, losses on work in progress, guarantees etc. Provisions are recognised when - as the result of past events - the Company has a legal or constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation.

Warranties comprise obligations to compensate any defects within the warranty period of 1-5 years. Provisions are measured and recognised on the basis of past experience with warranty work.

If it is likely that total costs will exceed total income from contract work in progress, a provision is made for the total loss anticipated on the contract. The provision is recognised in production costs.

Liabilities other than provisions

Financial liabilities other than provisions are recognised at the proceeds received less the transaction costs paid at the date of borrowing. In subsequent periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value when applying the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Financial liabilities also include the capitalized residual obligation on finance leases.

The remaining liabilities are measured at net realisable value.

Financial ratios

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Equity ratio $\dfrac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$

Return on equity $\dfrac{\text{Profit from ordinary activities after tax x 100}}{\text{Average equity}}$

Financial statements 1 April 2018 – 31 March 2019

Notes to the financial statements

	DKK'000	2018/19	2017/18
2	Financial income		
	Interest income from group enterprises	102	91
	Other interest income, including foreign exchange gains, etc.	216	400
		318	491
3	Financial expenses		
	Interest expenses to group enterprises	658	327
	Other interest expenses, including foreign exchange losses, etc.	1,108	1,041
		1,766	1,368
4	Tax on profit for the year		
	Current tax for the year	2,250	-805
	Deferred tax adjustment for the year	-4,335	-915
	Prior-year adjustments	0	-137
		-2,085	-1,857

5 Intangible assets

DKK'000	Licences, software	Intangible assets in progress	Total
Cost at 1 April 2018	3,357	0	3,357
Additions	120	850	970
Cost at 31 March 2019	3,477	850	4,327
Impairment losses and amortisation at 1 April 2018	682	0	682
Amortisation	925	0	925
Impairment losses and amortisation at 31 March 2019	1,607	0	1,607
Carrying amount at 31 March 2019	1,870	850	2,720

Intangible assets in progress are recognized based on expectations for future earnings generated from development projects

Financial statements 1 April 2018 – 31 March 2019

Notes to the financial statements

6 Property, plant and equipment

DKK'000	Plant and machinery	Fixtures and fittings, tools and equipment	Total
Cost at 1 April 2018	26,687	4,005	30,692
Additions	4,274	342	4,616
Disposals	-1,447	-790	-2,237
Cost at 31 March 2019	29,514	3,557	33,071
Impairment losses and depreciation at 1 April 2018	22,104	2,809	24,913
Depreciation	1,880	405	2,285
Depreciation, assets sold	-1,447	-509	-1,956
Impairment losses and depreciation at 31 March 2019	22,537	2,705	25,242
Carrying amount 31 March 2019	6,977	852	7,829
Property, plant and equipment include assets held under finance leases with a carrying amount totalling	4,064	367	4,431

7 Investments

DKK'000	Investments in subsidiaries
Cost at 1 April 2018	3,009
Additions	0
Cost at 31 March 2019	3,009
Value adjustments at 1 April 2018	-7,326
Adjustments	-389
Net profit/loss for the year	-17,659
Equity adjustment in investments	-102
Value adjustments at 31 March 2019	-25,476
Investments with negative book value written down in receivables	-22,467
Carrying amount at 31 March 2019	0

Name	Registered office	Voting rights and ownership	Share capital
Group enterprises			
Boilerworks A/S	Tønder, Denmark	100 %	500
Danstoker Poland Sp. Z.o.o.	Poland	100 %	9

Financial statements 1 April 2018 – 31 March 2019

Notes to the financial statements

	DKK'000	2018/19	2017/18
8	Work in progress (customer-specific orders)		
	Work in progress	130,690	132,157
	Payments on account	-97,320	-103,946
	Carrying amount at 31 March	33,370	28,211
	Recognised as follows:		
	Work in progress (customer-specific orders) (assets)	46,049	34,145
	Prepayments received from customers (liabilities)	-12,679	-5,934
		33,370	28,211

9 Prepayments

Prepayments comprise prepaid insurance premium, prepaid rent and other prepaid costs.

10	Deferred tax		
	Deferred tax at 1 April	6,882	7,935
	Deferred tax adjustment	-4,335	-1,053
	Deferred tax at 31 March	2,547	6,882

Deferred tax primarily relates to work in progress (advance on account).

11 Other provisions

Other provisions consists of customs warranties, DKK 318 thousand (2017/18: DKK 980 thousand) and provision for guarantee obligations and other costs DKK 4,031 thousand (2017/18: DKK 4,150 thousand).

12 Non-current liabilities other than provisions

DKK'000	Total liabilities at 1/4 2018	Total liabilities at 31/3 2019	Repay-ment next year	Long-term portion	Out-standing debt after 5 years
Lease liabilities	1,007	3,769	846	2,924	0
	1,007	3,770	846	2,924	0

Financial statements 1 April 2018 – 31 March 2019

Notes to the financial statements

13 Employee relations

DKK'000	2018/19	2017/18
Wages and salaries	56,020	57,782
Pensions	4,026	4,218
Other social security costs	691	652
	60,737	62,652
Remuneration of the Executive Board	3,065	2,866
Remuneration of the Board of Directors	60	60
Average number of full-time employees	115	121

14 Charges, security provided and contingencies, etc.

Lease obligations (operating leases) falling due within 3 years total DKK 1,037 thousand, hereof DKK 527 thousand fall due 2019/20.

The Company has entered into lease contract that is non-terminable until 30 September 2020. Tenancy commitments in lease buildings amount to DKK 4,408 thousand, of this DKK 4,408 thousand concerns 2019/20.

Mortgage registered to the mortgagor at a nominal amount of DKK 7,500 thousand secured on plant and machinery, fixture and fittings, other plant and equipment and goodwill with a carrying amount of DKK 7,829 thousand has been provided as collateral for loan raised with credit institution.

The Company has undertaken guarantees whereby it has assumed primary liability for the affiliated companies' outstanding balances with mortgage credit institutions and banks, DKK 20,423 thousand (2017/18: DKK 23,617 thousand).

Performance bonds and advance payment guarantees issued by guarantee insurers amount to DKK 46,979 thousand (2017/18: DKK 51,408 thousand). Guarantees have been undertaken whereby primary liability is assumed towards credit institutions for all performance bonds and advance payment guarantees and outstanding balances between other enterprises, group enterprises and credit institutions. At 31 March 2019, the guarantee commitment etc. amounted to DKK 2,308 thousand (2017/18: DKK 2,190 thousand).

The company has entered project-related forward exchange contracts concerning currency in NOK 3,324 thousand and currency in GBP 649 thousand with a net position as of 31 March 2019 to DKK -90 thousand.

Financial statements 1 April 2018 - 31 March 2019

Notes to the financial statements

14 Charges, security provided and contingencies, etc. (continued)

The company has received a claim for avoidance from the liquidator in the former subsidiary Omnical Kessel- und Apparatebau GmbH in bankruptcy. Any final amount is unknown at the moment, as the company does not find any basis for the claim and has rejected it.

The Company is jointly taxed with the Danish parent company and Danish subsidiaries. The companies included in the joint taxation have joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties.

15 Related parties

Danstoker A/S' related parties comprise the following:

Parties exercising control

Thermax Denmark ApS holds the majority of the share capital in the Company.

Related party transactions

DKK'000	2018/19	2017/18
Revenue	2,094	782
Production costs	18,379	10,773
Rent	4,405	4,319
Financial income	102	91
Financial expenses	658	327
Amounts owed by group companies (Receivables)	33,384	13,885
Amounts owed to group companies (Liabilities)	43,111	27,511
Equity contribution from parent	40,171	14,800

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent's consolidated financial statements
Thermax Denmark ApS	Denmark	www.erhvervsstyrelsen.dk
Thermax Ltd.	India	www.thermaxglobal.com

16 Proposed profit appropriation

DKK'000	2018/19	2017/18
Reserve for development cost	663	0
Retained earnings	-25,748	-12,244
	-25,085	-12,244