Danstoker A/S

Industrivej Nord 13, DK-7400 Herning

Annual Report for
1 April 2023 - 31 March 2024

CVR No. 16 14 72 49

The Annual Report was presented and adopted at the Annual General Meeting of the company on 4/7 2024

Mahesh Channakeshaviah Bukinkere
Chairman of the general meeting

Contents

	Page
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company information	4
Financial Highlights	5
Management's Review	6
Financial Statements	
Income Statement 1 April - 31 March	8
Balance sheet 31 March	9
Statement of changes in equity	11
Notes to the Financial Statements	12

Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Danstoker A/S for the financial year 1 April 2023 - 31 March 2024.

The Annual Report is 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 at 31 March 2024 of the Company and of the results of the Company operations for 2023/24.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Herning, 6 June 2024

Executive Board

Peter Overgaard CEO	Allan Harritslev Nielsen Chief Financial Officer

Board of Directors

Mahesh Channakeshaviah Bukinkere Chairman	Rajendran Arunachalam Vice chairman	Sandeep Suresh Mandke
Holger Michael Diechmann Jepsen Employee representative	Kim Slumstrup Employee representative	

Independent Auditor's report

To the shareholder of Danstoker A/S

Opinion

We have audited the Financial Statements of Danstoker A/S for the financial year 1 April 2023 - 31 March 2024, which comprise 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 financial position of the Company at 31 March 2024 and of the results of the Company´s operations for the financial year 1 April 2023 - 31 March 2024 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 Financial Statements” section of our report.

Independence

We are independent of the Company 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 Company´s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 Company´s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management’s use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company´s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on Management’s Review

Management is responsible for Management’s Review.

Our opinion on the Financial Statements does not cover Management’s Review, and we do not express any form of assurance conclusion thereon.

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

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

Based on the work we have performed, in our view, Management’s Review 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 in Management’s Review.

Esbjerg, 6 June 2024

EY

Godkendt Revisionspartnerselskab

CVR No 30 70 02 28

Claes Jensen

State Authorised Public Accountant

mne44108

Company information

The Company	Danstoker A/S Industrivej Nord 13 DK-7400 Herning Email: info@danstoker.com Website: www.danstoker.com CVR No: 16 14 72 49 Financial period: 1 April 2023 - 31 March 2024 Incorporated: 13 April 1992 Municipality of reg. office: Herning
Board of Directors	Mahesh Channakeshaviah Bukinkere, chairman Rajendran Arunachalam, vice chairman Sandeep Suresh Mandke Holger Michael Diechmann Jepsen, employee representative Kim Slumstrup, employee representative
Executive Board	Peter Overgaard Allan Harritslev Nielsen
Auditors	EY Godkendt Revisionspartnerselskab Bavnehøjvej 5 6700 Esbjerg

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2023/24	2022/23	2021/22	2020/21	2019/20
	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK
Key figures					
Profit/loss					
Gross profit	55	24	32	26	24
Profit/loss of primary operations	22	0	6	-2	-12
Profit/loss of financial income and expenses	6	2	0	-6	3
Net profit/loss for the year	23	2	5	-7	-8
Balance sheet					
Balance sheet total	182	144	131	126	140
Investment in property, plant and equipment	1	1	0	0	0
Equity	67	41	39	34	42
Number of employees	115	105	99	106	117
Ratios					
Solvency ratio	36.8%	28.5%	29.8%	27.0%	30.0%
Return on equity	42.6%	5.0%	13.7%	-18.4%	-17.4%

Management's review

Key activities

Danstoker A/S, which has its registered address in the municipality of Herning, is a wholly 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 Danstoker Poland Sp.z o.o..

The Danstoker Group designs, manufactures, sells and do service on boilers and associated equipment within the energy market. The Danstoker Group product range is continuously adapted to the 4 energy categories:
1. Solid fuel market, mainly based on biofuels
2. Electrical boiler market
3. Waste heat recovery boiler market
4. Oil/gas market

Development in the year

Danstoker A/S is highly impacted by the decision in Europe to move away from dependency of Russian gas and at the same time also the high focus on moving away from fossil fuels towards a more environmentally friendly energy production.
Our production in both Herning and Ostrowiec has been running throughout the year on full capacity. It has been difficult to find skilled welders all over Europe. The reason is that all Ukraine welders previously working abroad is back in Ukraine to take part in the war. This has resulted in issues with on time delivery. Order intake has been on a as high level as last year. There is a high demand for biomass fired plants to substitute gas fired plants. Order intake on biomass plants is up with >50% compared to before start of the war in Ukraine. Present backlog is almost on same extraordinary high level as last year’s highest in history for Danstoker. We have orders as far out as end 2025.

Danstoker has been able to maintain its position as the absolute market-leader within medium-sized biofuel boilers in Scandinavia. 65% of the turnover is within this segment.

Within the shrinking market of oil and gas-fired boilers, Danstoker has maintained its position in the primary markets, and with the setup in Poland we are in the process of developing a stronger position in the eastern part of Europe. 14% of the turnover is within this segment.
The waste heat recovery boiler market consists primarily of stainless-steel economizers and is 5% of turnover.

The market segments for electrical boilers are expected to increase significantly over the coming years. For now, it represents 4% of turnover.
The market for Service of boilers has maintained its level of 12% of turnover.
Danstoker has started up within the waste incineration market and has delivered the first two big units to two different places in Norway burning municipal solid waste.

Compared to last year the revenue has increased with 36% especially due to the positive development within the biomass segment. The achieved results of the primary operation are above expectations.

Also, the Polish facility have had higher activity than last year and are up with 9%.

Profit for the year before tax amount DKK 28,440 thousand and after-tax amounts to DKK 23,285 thousand. Income from investments in subsidiaries is positive impacted by change of accounting estimate as deferred taxes in Poland is activated with 1.386 kPLN.

The total number of employees by end of financial year is 115 in Denmark and 121 in Poland.

Management's review

Targets and expectations for the year ahead

The overall volume of orders of the Danstoker Group at the end of the financial year is very satisfactory.

It is the aim of the Danstoker Group to create 2 profitable, strong sales and production companies in Danstoker A/S and Danstoker Poland Sp. z o.o., 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 utilization of the production facilities.

It is not yet known to what extent the war in Ukraine will continue to impact the company. For now, we see very good order booking in the biomass segment as there is a high focus to move away from gas fired plants, even that the gas prices have come down again. However, Danstoker Group will continue to monitor the situation to ensure the Company remains flexible in its ability to respond to changing circumstances.

Besides the above mentioned the Management of the Group is of the opinion that it is not faced with special long-term risks, neither in terms of its markets, nor otherwise.

The growing, necessary, political focus on CO2 on a global scale will in the long term contribute to making our CO2-neutral products within biofuels and electrical boilers even more relevant and will contribute to securing the Danstoker Group's continued positive development.

With all the initiatives taken the profit before tax for the financial year 2024/25 is expected to be around 20 mDKK.

External environment

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. Danstoker A/S holds a ISO 14001 certificate.

Danstoker A/S has decided for the coming years to focus on 4 of United Nations Sustainable Development Goals: "7 Affordable and clean energy", "9 Industry, Innovation and infrastructure", "12 Responsible consumption and production" and "13 Climate action".

In the coming period the Company will have special attention to reduce the consumption of energy during manufacturing, optimizing the design to reduce material use and better waste management to recycle more material. Furthermore, a project is running with the local university with focus on mental health in Danstoker.
In relation to Code of Conduct Danstoker has decided to lean towards UN Global Compact's ten principles for responsible business conduct.

Subsequent events

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

Income statement 1 April 2023 - 31 March 2024

	Note	2023/24	2022/23
		TDKK	TDKK
Gross profit		**54,712**	**24,354**
Distribution expenses		-13,625	-8,729
Administrative expenses		-18,817	-15,421
Profit/loss before financial income and expenses		**22,270**	**204**
Income from investments in subsidiaries		5,151	2,163
Financial income	2	3,686	1,122
Financial expenses	3	-2,667	-1,493
Profit/loss before tax		**28,440**	**1,996**
Tax on profit/loss for the year	4	-5,155	60
Net profit/loss for the year	5	**23,285**	**2,056**

Balance sheet 31 March 2024

Assets

	Note	2023/24	2022/23
		TDKK	TDKK
Completed development projects		0	0
Acquired other similar rights		0	84
Intangible assets	6	**0**	**84**
Plant and machinery		1,154	1,518
Other fixtures and fittings, tools and equipment		124	199
Property, plant and equipment	7	**1,278**	**1,717**
Investments in subsidiaries	8	14,529	8,654
Receivables from group enterprises	9	20,989	25,818
Fixed asset investments		**35,518**	**34,472**
Fixed assets		**36,796**	**36,273**
Raw materials and consumables		18,492	18,918
Work in progress		3,104	2,887
Finished goods and goods for resale		12,522	0
Inventories		**34,118**	**21,805**
Trade receivables		8,545	8,235
Contract work in progress	10	58,093	47,386
Receivables from group enterprises		27,128	23,562
Other receivables		1,963	1,739
Prepayments	11	2,020	1,337
Receivables		**97,749**	**82,259**
Cash at bank and in hand		**13,638**	**3,844**
Current assets		**145,505**	**107,908**
Assets		**182,301**	**144,181**

Balance sheet 31 March 2024

Liabilities and equity

	Note	2023/24	2022/23
		TDKK	TDKK
Share capital		10,001	10,001
Retained earnings		56,826	30,830
Equity		**66,827**	**40,831**
Provision for deferred tax	12	6,379	1,305
Other provisions	13	1,846	819
Provisions		**8,225**	**2,124**
Credit institutions		10,500	4,519
Lease obligations		0	587
Trade payables		16,220	24,292
Contract work in progress	10	30,970	27,434
Payables to group enterprises		22,560	23,505
Payables to group enterprises relating to corporation tax		80	0
Other payables		26,919	20,889
Short-term debt		**107,249**	**101,226**
Debt		**107,249**	**101,226**
Liabilities and equity		**182,301**	**144,181**
Contingent assets, liabilities and other financial obligations	14		
Related parties	15		
Subsequent events	16		
Accounting Policies	17		

Statement of changes in equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 April	10,001	30,830	40,831
Exchange adjustments	0	1,987	1,987
Exchange adjustments relating to foreign entities	0	724	724
Net profit/loss for the year	0	23,285	23,285
Equity at 31 March	**10,001**	**56,826**	**66,827**

The share capital consists of 1 share at a nominal amount of DKK 10,001,000.
The Company's share capital has remained DKK 10.001 thousand over the past 5 years.

Notes to the Financial Statements

		2023/24	2022/23
		TDKK	TDKK
1.	**Staff**		
	Wages and salaries	63,235	54,485
	Pensions	5,646	4,119
	Other social security expenses	683	638
		69,564	**59,242**
	Including remuneration to the Executive Board and Board of Directors:		
	Executive board	4,921	3,826
	Board of directors	60	60
		4,981	**3,886**
	Average number of employees	**115**	**105**

		2023/24	2022/23
		TDKK	TDKK
2.	**Financial income**		
	Interest received from group enterprises	3,206	762
	Other financial income	480	360
		3,686	**1,122**

		2023/24	2022/23
		TDKK	TDKK
3.	**Financial expenses**		
	Interest paid to group enterprises	1,034	488
	Other financial expenses	1,633	1,005
		2,667	**1,493**

Notes to the Financial Statements

4. Income tax expense

	2023/24	2022/23
	TDKK	TDKK
Current tax for the year	81	-315
Deferred tax for the year	5,074	255
	5,155	**-60**

5. Profit allocation

	2023/24	2022/23
	TDKK	TDKK
Retained earnings	23,285	2,056
	23,285	**2,056**

6. Intangible fixed assets

	Completed development projects	Acquired other similar rights
	TDKK	TDKK
Cost at 1 April	1,556	4,103
Cost at 31 March	1,556	4,103
Impairment losses and amortisation at 1 April	1,556	4,019
Amortisation for the year	0	84
Impairment losses and amortisation at 31 March	1,556	4,103
Carrying amount at 31 March	**0**	**0**

Notes to the Financial Statements

7. Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment
	TDKK	TDKK
Cost at 1 April	26,547	1,995
Additions for the year	666	228
Disposals for the year	-52	-255
Cost at 31 March	27,161	1,968
Impairment losses and depreciation at 1 April	25,029	1,796
Depreciation for the year	1,030	303
Reversal of impairment and depreciation of sold assets	-52	-255
Impairment losses and depreciation at 31 March	26,007	1,844
Carrying amount at 31 March	**1,154**	**124**

8. Investments in subsidiaries

	2023/24	2022/23
	TDKK	TDKK
Cost at 1 April	30,379	30,379
Cost at 31 March	30,379	30,379
Value adjustments at 1 April	-21,725	-23,873
Exchange adjustment	724	-14
Net profit/loss for the year	5,151	2,162
Value adjustments at 31 March	-15,850	-21,725
Carrying amount at 31 March	**14,529**	**8,654**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Ownership
Danstoker Poland Sp. Z.o.o.	Poland	100%

Notes to the Financial Statements

9. Other fixed asset investments

	Receivables from group enterprises
	TDKK
Cost at 1 April	25,818
Exchange adjustment	2,161
Disposals for the year	-6,990
Cost at 31 March	20,989
Carrying amount at 31 March	**20,989**

10. Contract work in progress

	2023/24	2022/23
	TDKK	TDKK
Selling price of work in progress	237,368	150,837
Payments received on account	-210,245	-130,885
	27,123	**19,952**
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	58,093	47,386
Prepayments received recognised in debt	-30,970	-27,434
	27,123	**19,952**

11. Prepayments

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

12. Provision for deferred tax

	2023/24	2022/23
	TDKK	TDKK
Deferred tax liabilities at 1 April	1,305	1,050
Amounts recognised in the income statement for the year	5,074	255
Deferred tax liabilities at 31 March	**6,379**	**1,305**

Notes to the Financial Statements

13. Other provisions

Other provisions consists of customs warranties, DKK 1.775 thousand (2022/23; DKK 747 thousand) and provision for guarantee obligations and other costs DKK 72 thousand (2022/23: DKK 72 thousand).

14. Contingent assets, liabilities and other financial obligations

	2023/24	2022/23
	TDKK	TDKK
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	503	509
Between 1 and 5 years	484	635
	987	**1,144**

The Company has entered into lease contracts. Tenancy commitments in lease buildings amount to DKK 33,062 thousand, of this DKK 2,755 thousand concerns 2024/25.

Guarantee obligations

The Company has undertaken guarantees whereby it has assumed primary liability for the affiliated companies' outstanding balances with mortgage credit institutions and banks, DKK 10,000 thousand.

Performance bonds and advance payment guarantees issued by guarantee insurers amount to DKK 37,630 thousand.

Other contingent liabilities

The Company is currently involved in legal cases. Management believes that these cases will not have a material impact on the financial statements, beyond what has already been accounted for, based on consultations with legal counsel.

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.

Notes to the Financial Statements

15. Related parties and disclosure of consolidated financial statements

	Basis
Controlling interest	
Thermax Denmark ApS	Owner

Transactions	2023/24	2022/23
	TDKK	TDKK
Related party transactions:		
Net sales	1,403	1,280
Production cost	38,980	10,587
Reimbursed expenses	1,225	1,201
Administrative expenses	676	1,075
Rent	2,727	2,635
Financial income	3,206	762
Financial expenses	1,034	488
Receivables from group enterprises	48,117	49,380
Payables to group enterprises	22,640	23,505

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company:

Name	Place of registered office
Thermax Denmark ApS	Denmark
Thermax Ltd.	India

The Group Annual Report of Thermax Denmark ApS may be obtained at the following address:
www.cvr.dk
The Group Annual Report of Thermax Ltd. may be obtained at the following address:
www.thermaxglobal.com

16. Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Notes to the Financial Statements

17. Accounting policies

The Annual Report of Danstoker A/S for 2023/24 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2023/24 are presented in TDKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements for 2023/24 of Thermax Denmark ApS, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Thermax Denmark ApS, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as ”Other receivables” and ”Other payables”, respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

Income statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Production expenses

Production expenses comprise costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

Production expenses also include amortisation of goodwill to the extent that goodwill relates to production activities.

Production expenses also comprise research and development costs that do not qualify for capitalisation and amortisation of capitalised development costs.

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss comprises of revenue, production expenses and other operating income.

Notes to the Financial Statements

Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc.

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Full elimination of intra-group gains/losses is made for equity investments in subsidiaries.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with its Danish group entities. The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Notes to the Financial Statements

Balance sheet

Intangible fixed assets

Development projects

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item 'Reserve for development costs'. The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 3 year.

Other intangible fixed assets

Patents are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Patents are amortised over the remaining patent period or a shorter useful life. The amortisation period is 3 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

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

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

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

Notes to the Financial Statements

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment and investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Goodwill, head office buildings and other assets for which a separate value in use cannot be determined as the asset does not on an individual basis generate future cash flows are reviewed for impairment together with the group of assets to which they are attributable.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of receivables from group entities

Inventories

Inventories are measured at the lower of cost based on weighted average prices and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and indirect production overheads.

Indirect production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the sales price.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

The Company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

Notes to the Financial Statements

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Cash

Cash comprise cash.

Equity

Reserve for net revaluation according to the equity method

The net revaluation reserve according to the equity method includes net revaluations of investments in subsidiaries and associates relative to cost. The reserve can be eliminated in case of losses, realization of investments or a change 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 dividends or cover losses. The reserve will be reduced or dissolved if the recognized development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of 1-5 years. Provisions are measured and recognised based on experience with guarantee work.

Notes to the Financial Statements

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

Deferred tax assets and liabilities are offset within the same legal tax entity.

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Financial liabilities

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

The Company has chosen IAS 39 as interpretation for recognition and measurement of liabilities.

Financial Highlights

Explanation of financial ratios

Solvency ratio	Equity at year end x 100 / Total assets at year end
Return on equity	Net profit for the year x 100 / Average equity