

Danstoker A/S

Industrivej Nord 13, 7400 Herning

CVR no. 16 14 72 49

Annual report 2019/20

Approved at the Company's annual general meeting on 12 June 2020

Chairman:

.....
Rakesh Rampratap Tripathi

Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	5
Company details	5
Financial highlights	6
Operating review	7
Financial statements 1 April 2019 - 31 March 2020	9
Income statement	9
Balance sheet	10
Statement of changes in equity	12
Notes to the financial statements	13
Notes to the financial statements	14

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 2019 - 31 March 2020.

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 2020 and of the results of the Company's operations for the financial year 1 April 2019 - 31 March 2020.

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, 12 June 2020

Executive Board:

.....
Peter Overgaard

.....
Kurt Myhlert Olsen

Board of Directors:

.....
Rakesh Rampratap Tripathi
Chairman

.....
Rajendran Arunachalam
Vice Chairman

.....
Kim Slumstrup
(Elected by the employees)

.....
Holger Michael D. Jepsen
(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 2019 - 31 March 2020, 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 2020 and of the results of the Company's operations for the financial year 1 April 2019 - 31 March 2020 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, 12 June 2020
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Morten Østergaard Koch
State Authorised
Public Accountant
mne35420

Claes Jensen
State Authorised
Public Accountant
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	Rakesh Rampratap Tripathi (Chairman) Rajendran Arunachalam (Vice Chairman) Kim Slumstrup (Elected by the employees) Holger Michael D. Jepsen (Elected by the employees)
Executive Board	Peter Overgaard Kurt Myhlert Olsen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Havnegade 33 DK-6700 Esbjerg

Management's review

Financial highlights

DKK m	2019/20	2018/19	2017/18	2016/17	2015/16
Key figures					
Gross profit	24	28	28	39	33
Ordinary operating profit/loss	-12	-8	-8	9	4
Profit/loss before tax	-9	-27	-14	6	3
Profit/loss for the year	-6	-25	-12	4	3
Total assets					
Total assets	140	135	110	90	90
Investment in property, plant and equipment	0	5	1	2	2
Equity	42	50	35	33	28
Financial ratios					
Equity ratio	30.2	36.9	32.1	36.0	31.6
Return on equity	-	-	-	10.1	11.5
Average number of full-time employees					
Average number of full-time employees	117	115	121	122	136

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 Herring, 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.. During the year the subsidiary Boilerworks A/S was sold to Thermax Denmark ApS.

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:

- ▶ 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 been able to maintain its position as the absolute market-leader within medium-sized biofuel boilers in Scandinavia. 40% of the turnover is within this segment.

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

The market segments for combined heat and power boilers and for exhaust gas boilers have been status quo in the year under review.

During the year, a new low voltage electrical boiler in the range from 400 kW to 5.500 kW has been developed and launched.

This year, the Danstoker A/S have had a high activity level the first half year and a low activity level the second half of the year. The achieved results of the primary operation are lower than provided for in the budget. The high activity level the first half year has been impacted by low productivity in the Polish facility, where it has been difficult to attract and keep the right people in the workshop. Due to this low productivity a lot of boilers had to be produced in Denmark to excessive cost. Further late deliveries to customers lead to extra cost. The result of the primary operations is not satisfactory, and many cost reduction and optimization measures are under implementation to turn around the business. The overall result of Danstoker A/S is positively impacted by the transaction of Boilerworks A/S.

Result for the year before tax of DKK -9,162 thousand and result after tax of DKK -5,663 thousand.

The total number of employees by end of financial year is 117 in Denmark and 114 in Poland.

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. Danstoker A/S achieved ISO 14001 certificate during the year.

Danstoker A/S has decided for the coming year 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"

Events after the balance sheet date

It is not yet known to what extent the company will be affected by the COVID-19 outbreak, but management is monitoring the situation closely in order to adjust the cost level to any temporary decline in activity. At the time of approval of the annual report, it has not been possible for the company's management to provide a reliable estimate of the expected impact of COVID-19, but it is not considered to affect the company to such an extent that further incorporation in the 2019 annual report is required.

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.

Future outlook

The overall volume of orders of the Danstoker Group at the end of the financial year is 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 utilisation of the production facilities.

Besides the above mentioned regarding COVID-19, 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 even more relevant and will contribute to securing the Danstoker Group's continued positive development.

With all the initiatives taken satisfactory results are expected for the financial year 2020/21.

Financial statements 1 April 2019 - 31 March 2020

Income statement

Note	DKK'000	2019/20	2018/19
	Gross profit	24,171	27,825
	Sales and distribution costs	-18,965	-19,179
	Administrative expenses	-17,644	-16,709
	Operating profit/loss	-12,439	-8,063
	Profit/loss on investments in subsidiaries	5,075	-17,659
2	Financial income	938	318
3	Financial expenses	-2,736	-1,766
	Profit/loss before tax	-9,162	-27,170
4	Tax on profit/loss for the year	3,499	2,085
	Profit/loss for the year	-5,663	-25,085

Financial statements 1 April 2019 - 31 March 2020

Balance sheet

Note	DKK'000	2019/20	2018/19
	ASSETS		
	Non-current assets		
5	Intangible assets		
	Completed development projects	1,513	850
	Licences, software	933	1,870
	Development projects in progress	1,508	0
		<u>3,954</u>	<u>2,720</u>
6	Property, plant and equipment		
	Plant and machinery	4,944	6,977
	Fixtures and fittings, tools and equipment	870	852
		<u>5,814</u>	<u>7,829</u>
7	Investments		
	Investments in subsidiaries	11,075	0
	Amounts owed by group companies	11,278	0
		<u>22,353</u>	<u>0</u>
	Total non-current assets	<u>32,121</u>	<u>10,549</u>
	Current assets		
	Inventories		
	Raw materials and consumables	11,759	12,268
	Semi-finished goods	2,787	2,246
		<u>14,546</u>	<u>14,514</u>
	Receivables		
	Trade receivables	13,183	13,172
8	Work in progress (customer-specific orders)	29,658	46,049
	Amounts owed by group companies	46,939	43,111
	Other receivables	863	1,684
9	Prepayments	2,271	2,558
		<u>92,914</u>	<u>106,574</u>
	Cash at bank and in hand	<u>381</u>	<u>3,203</u>
	Total current assets	<u>107,841</u>	<u>124,290</u>
	TOTAL ASSETS	<u><u>139,962</u></u>	<u><u>134,840</u></u>

Financial statements 1 April 2019 - 31 March 2020

Balance sheet

Note	DKK'000	2019/20	2018/19
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	10,001	10,001
	Reserve for development cost	1,180	663
	Retained earnings	31,106	39,118
	Total equity	42,287	49,782
	Provisions		
10	Deferred tax	42	2,547
11	Other provisions	2,591	4,349
	Total provisions	2,633	6,896
	Liabilities other than provisions		
12	Non-current liabilities		
	Lease liabilities	2,039	2,924
		2,039	2,924
	Current liabilities		
12	Current portion of non-current liabilities other than provisions	1,054	846
	Bank loans	30,000	205
8	Prepayments received from customers	6,307	12,679
	Trade payables	11,793	14,288
	Amounts owed to group companies	14,154	33,384
	Other payables	29,695	13,836
		93,003	75,238
	Total liabilities other than provisions	95,042	78,162
	TOTAL EQUITY AND LIABILITIES	139,962	134,840
1	Accounting policies		
13	Employee relations		
14	Charges, collateral and contingencies, etc.		
15	Related parties		

Financial statements 1 April 2019 - 31 March 2020

Statement of changes in equity

Note		Share capital	Reserve for develop- ment cost	Retained earnings	Total
	DKK'000				
	Equity at 1 April 2019	10,001	663	39,118	49,782
16	Retained profit for the year	0	517	-6,180	-5,663
	Change in value adjustments of hedging instruments after tax	0	0	70	70
	Change in value adjustments of hedging instruments in investment after tax	0	0	-24	-24
	Exchange rate adjustment in investments	0	0	-1,878	-1,878
	Equity at 31 March 2020	10,001	1,180	31,106	42,287

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

Financial statements 1 April 2019 - 31 March 2020

Notes to the financial statements

1 Accounting policies

The annual report of Danstoker A/S for the period 1 April 2019 - 31 March 2020 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

Consolidated financial statements and cash flow statements have not been prepared as the same are not required as per section 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 accounting policies used in the preparation of the financial statements are consistent with those of last year.

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 date of payment are recognised as a financial income or financial expenses in the income statement.

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

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in "Other receivables" and "Other payables", respectively.

Fair value adjustments of derivative financial instruments designated as and qualifying for hedging of future assets or liabilities are recognised in other receivables or other payables, respectively, and in equity.

If the hedged 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 hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects the profit/loss for the year.

Income statement

Revenue

Income from the sale of goods for resale and finished goods is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Financial statements 1 April 2019 - 31 March 2020

Notes to the financial statements

1 Accounting policies (continued)

Income from construction contracts involving a high degree of customisation is recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the market value of the contract work performed during the year (percentage-of-completion method). This method is used where the total income and expenses and the degree of completion of the contract can be measured reliably.

Where income from a construction contract cannot be estimated reliably, contract revenue corresponding to the expenses incurred is recognised only in so far as it is probable that such expenses will be recoverable from the counterparty.

Production costs

Production costs comprise costs incurred in generating the revenue for the year. Such costs include direct and indirect costs of raw materials, consumables and production staff, rent and leases, as well as depreciation on production plant.

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

Also, provision for losses on construction contracts is recognised.

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 related to the distribution of goods sold in the year and to sales campaigns, etc., carried out in the year, including costs relating to sales staff, advertising, exhibitions and amortisation/depreciation.

Administrative expenses

Administrative expenses include expenses incurred in the year for company management and administration, including expenses relating to administrative staff, Management, office premises and expenses as well as amortisation/depreciation of assets used for administrative purpose.

Profit/loss from investments in subsidiaries

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement.

Financial statements 1 April 2019 - 31 March 2020

Notes to the financial statements

1 Accounting policies (continued)

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

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

Development costs comprise expenses and salaries directly attributable to development activities.

Development projects that are clearly defined and identifiable and where the technical feasibility, sufficient resources and a potential future market or development potential are evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses as well as development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually three years.

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 and losses on the sale of intangible assets are recognised in the income statement under "Other operating income" or "Other operating expenses", respectively. Gains and losses are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Financial statements 1 April 2019 - 31 March 2020

Notes to the financial statements

1 Accounting policies (continued)

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

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

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 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 operating expenses.

Leases

On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to the ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the present value of the future lease payments. In calculating the net present value, 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 accounted for in the same way as the Company's other assets.

The capitalised residual lease liability 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.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Investments in subsidiaries

Equity 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.

Financial statements 1 April 2019 - 31 March 2020

Notes to the financial statements

1 Accounting policies (continued)

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.

Gains or losses on disposal of subsidiaries and associates are made up as the difference between the sales price and the carrying amount of net assets at the date of disposal including non-amortised goodwill and anticipated costs of disposal. Gains or losses are recognised in the income statement as financial income or financial expenses.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment as well as investments in subsidiaries is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

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

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

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.

Financial statements 1 April 2019 - 31 March 2020

Notes to the financial statements

1 Accounting policies (continued)

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.

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, realisation 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 recognised development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

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".

Financial statements 1 April 2019 - 31 March 2020

Notes to the financial statements

1 Accounting policies (continued)

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.

Other provisions

Provisions comprise anticipated expenses relating to warranty commitments, onerous contracts, restructurings, etc. Provisions are recognised when the Company has a legal or constructive obligation at the balance sheet date as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required 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 are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using 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 capitalised residual lease liability in respect of 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
$$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$$

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

Financial statements 1 April 2019 - 31 March 2020

Notes to the financial statements

DKK'000		2019/20	2018/19	
2	Financial income			
	Interest income from group enterprises	496	102	
	Other interest income, including foreign exchange gains, etc.	442	216	
		<u>938</u>	<u>318</u>	
3	Financial expenses			
	Interest expenses to group enterprises	907	658	
	Other interest expenses, including foreign exchange losses, etc.	1,829	1,108	
		<u>2,736</u>	<u>1,766</u>	
4	Tax on profit for the year			
	Current tax for the year	-834	2,250	
	Deferred tax adjustment for the year	-2,505	-4,335	
	Prior-year adjustments	-160	0	
		<u>-3,499</u>	<u>-2,085</u>	
5	Intangible assets			
DKK'000	Completed development projects	Licences, software	Development projects in progress	Total
Cost at 1 April 2019	850	3,477	0	4,327
Additions	706	0	1,508	2,214
Disposals	0	-185	0	-185
Cost at 31 March 2020	<u>1,556</u>	<u>3,292</u>	<u>1,508</u>	<u>6,356</u>
Impairment losses and amortisation at 1 April 2019	0	1,607	0	1,607
Amortisation	43	929	0	929
Amortization, assets sold	0	-177	0	-177
Impairment losses and amortisation at 31 March 2020	<u>43</u>	<u>2,359</u>	<u>0</u>	<u>2,402</u>
Carrying amount at 31 March 2020	<u>1,513</u>	<u>933</u>	<u>1,508</u>	<u>3,954</u>

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

Financial statements 1 April 2019 - 31 March 2020

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 2019	29,514	3,557	33,071
Additions	2	459	461
Disposals	-39	-902	-941
Cost at 31 March 2020	29,477	3,114	32,591
Impairment losses and depreciation at 1 April 2019	22,537	2,705	25,242
Depreciation	2,036	368	2,404
Depreciation, assets sold	-39	-829	-868
Impairment losses and depreciation at 31 March 2020	24,534	2,244	26,778
Carrying amount 31 March 2020	4,944	870	5,814
Property, plant and equipment include assets held under finance leases with a carrying amount totalling	3,254	507	3,761

7 Investments

DKK'000	Invest- ments in subsidiaries	Amounts owed by group companies
Cost at 1 April 2019	3,009	0
Additions	30,370	11,278
Disposals	-3,000	0
Cost at 31 March 2020	30,379	11,278
Value adjustments at 1 April 2019	-25,476	0
Adjustments	-1,878	0
Net profit/loss for the year	-16,214	0
Disposals	24,264	0
Value adjustments at 31 March 2020	-19,304	0
Carrying amount at 31 March 2020	11,075	11,278

Name	Register ed office	Rights and ownership
Danstoker Poland Sp. Z.o.o.	Poland	100 %

Financial statements 1 April 2019 - 31 March 2020

Notes to the financial statements

DKK'000	<u>2019/20</u>	<u>2018/19</u>
8 Work in progress (customer-specific orders)		
Work in progress	140,146	130,690
Payments on account	<u>-116,795</u>	<u>-97,320</u>
Carrying amount at 31 March	<u>23,351</u>	<u>33,370</u>

Recognised as follows:

Work in progress (customer-specific orders) (assets)	29,658	46,049
Prepayments received from customers (liabilities)	<u>-6,307</u>	<u>-12,679</u>
	<u>23,351</u>	<u>33,370</u>

9 Prepayments

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

10 Deferred tax

Deferred tax at 1 April	2,547	6,882
Deferred tax adjustment	<u>-2,505</u>	<u>-4,335</u>
Deferred tax at 31 March	<u>42</u>	<u>2,547</u>

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

11 Other provisions

Other provisions consists of customs warranties, DKK 568 thousand (2018/19: DKK 318 thousand) and provision for guarantee obligations and other costs DKK 2,023 thousand (2018/19: DKK 4,031 thousand).

12 Non-current liabilities other than provisions

DKK'000	<u>Total liabilities at 1/4 2019</u>	<u>Total liabilities at 31/3 2020</u>	<u>Repay-ment next year</u>	<u>Long-term portion</u>	<u>Out-standing debt after 5 years</u>
Lease liabilities	3,769	3,093	1,054	2,039	0
	<u>3,769</u>	<u>3,093</u>	<u>1,054</u>	<u>2,039</u>	<u>0</u>

Financial statements 1 April 2019 - 31 March 2020

Notes to the financial statements

13 Employee relations

DKK'000	2019/20	2018/19
Wages and salaries	60,329	56,020
Pensions	4,118	4,026
Other social security costs	687	691
	<u>65,134</u>	<u>60,737</u>
Remuneration of the Executive Board	<u>6,796</u>	<u>3,065</u>
Remuneration of the Board of Directors	<u>60</u>	<u>60</u>
Average number of full-time employees	<u>117</u>	<u>115</u>

14 Charges, security provided and contingencies, etc.

Lease obligations (operating leases) falling due within 3 years total DKK 921 thousand, hereof DKK 518 thousand fall due 2020/21.

The Company has entered into lease contracts. Tenancy commitments in lease buildings amount to DKK 5,860 thousand, of this DKK 5,199 thousand concerns 2020/21.

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 5,814 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 13,241 thousand (2018/19: DKK 20,423 thousand).

Performance bonds and advance payment guarantees issued by guarantee insurers amount to DKK 41,232 thousand (2018/19: DKK 46,979 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 2020, the guarantee commitment etc. amounted to DKK 0 thousand (2018/19: DKK 2,308 thousand).

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.

Financial statements 1 April 2019 - 31 March 2020

Notes to the financial statements

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	2019/20	2018/19
Revenue	4,864	2,094
Production costs	23,379	18,379
Other expenses	2,359	0
Rent	4,493	4,405
Financial income	496	102
Financial expenses	907	658
Amounts owed by group companies (Receivables)	58,217	33,384
Amounts owed to group companies (Liabilities)	14,154	43,111
Equity contribution from parent	0	40,171
Group contribution to subsidiary	30,370	0
Transfer of share in subsidiary	0	0

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	2019/20	2018/19
Reserve for development cost	517	663
Retained earnings	-6,180	-25,748
	<u>-5,663</u>	<u>-25,085</u>