

Gas Turbine Services A/S

Murervej 4 - 6
6710 Esbjerg V
Business Registration No
20589183

Annual report 2017

The Annual General Meeting adopted the annual report on 30.05.2018

Chairman of the General Meeting

Name: Lars Lund

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Entity details

Entity

Gas Turbine Services A/S
Murervej 4 - 6
6710 Esbjerg V

Central Business Registration No (CVR): 20589183

Registered in: Esbjerg

Financial year: 01.01.2017 - 31.12.2017

Board of Directors

Roy Kjellerup, Chairman
Chris Kjellerup-Krönlein
Robert John Dye
Klaus Kisum Kjær
Lawrence Jamieson Howie

Executive Board

Lars Lund, CEO
John Erik Hansen, COO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Dokken 8
Postbox 200
6701 Esbjerg

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Gas Turbine Services A/S for the financial year 01.01.2017 - 31.12.2017.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

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

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

Esbjerg, 30.05.2018

Executive Board

Lars Lund
CEO

John Erik Hansen
COO

Board of Directors

Roy Kjellerup
Chairman

Chris Kjellerup-Krönlein

Robert John Dye

Klaus Kisum Kjær

Lawrence Jamieson Howie

Independent auditor's report

To the shareholders of Gas Turbine Services A/S

Opinion

We have audited the financial statements of Gas Turbine Services A/S for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditor's report

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

Esbjerg, 30.05.2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Jørn Jepsen
State Authorised Public Accountant
Identification No (MNE) mne24824

Bo Klitten Kjærgaard
State Authorised Public Accountant
Identification No (MNE) mne34507

Management commentary

	2017	2016	2015	2014	2013
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial highlights					
Key figures					
Gross profit	18.290	13.743	19.499	17.797	15.835
Operating profit/loss	10.611	4.299	8.678	8.014	4.899
Net financials	(3.567)	(3.792)	(3.978)	(2.165)	(1.359)
Profit/loss for the year	5.486	397	3.446	4.335	2.458
Total assets	121.517	129.938	145.806	108.025	98.608
Investments in property, plant and equipment	179	239	877	62	213
Equity	48.324	42.876	42.453	39.036	34.741
Average invested capital incl goodwill	117.672	123.190	108.208	93.497	84.686
Net interest-bearing debt	61.397	80.072	71.489	39.707	3.311
Ratios					
Return on invested capital incl goodwill (%)	9,0	3,5	8,0	8,6	5,8
Financial gearing (%)	1,3	1,9	1,7	1,0	0,1
Return on equity (%)	12,0	0,9	8,5	11,8	7,3
Equity ratio (%)	39,8	33,0	29,1	36,1	35,2

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Calculation formula reflects
Return on invested capital incl goodwill (%)	$\frac{\text{EBITA} \times 100}{\text{Average invested capital incl goodwill}}$	The return generated by the entity on the investors' funds.
Financial gearing	$\frac{\text{Net interest-bearing debt}}{\text{Equity}}$	The entity's financial gearing.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

EBITA (Earnings Before Interest, Tax and Amortisation) is defined as operating profit plus the year's amortisation and impairment losses for intangible assets including goodwill.

Invested capital including goodwill is defined as net working capital plus the carrying amount of property, plant and equipment and intangible assets as well as accumulated amortisation of intangible assets including goodwill, and less other provisions and long-term operating liabilities. Accumulated impairment losses for goodwill are not added.

Net working capital is defined as inventories, receivables and other operating current assets net of trade payables and other short-term operating liabilities. Income taxes receivable and payable as well as cash are not included in net working capital.

Net interest-bearing debt is defined as interest-bearing liabilities, including income tax payable, net of interest-bearing assets, including cash and income tax receivable.

Management commentary

Primary activities

The Company's activities is sales and overhaul of turbines, as well as services in offshore and onshore co-generation.

Development in activities and finances

Profit for the year is DKK 5,486k against DKK 397k last year.

Net profit is considered to be satisfactory in the current market situation.

Outlook

For 2018, Management expects an increased profit compared to 2017.

Particular risks

The Company has purchases and sales in foreign currency. The risk of significant impact on the year's results is minimized as purchases and sales are predominantly carried out in the same currencies.

Intellectual capital resources

The core business involves providing high-quality services. This element places additional demands on the intellectual capital resources concerning development and provision of services.

Staff

In order to continuously provide high-quality services it is crucial that the Company is able to recruit and retain staff with profound technical knowledge. The Company's objective is for the entities to always have the highest level of knowledge and relevant technologies with a view to ensuring a high capacity for change.

Environmental performance

The Company aims to provide services consistently with the strictest of security and environmental regulations, and the Company's enterprises make a targeted effort in this context, including securing external approval under applicable standards.

Events after the balance sheet date

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

Income statement for 2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Gross profit		18.289.636	13.742.552
Staff costs	1	(6.567.064)	(8.983.485)
Depreciation, amortisation and impairment losses	2	<u>(1.111.355)</u>	<u>(460.011)</u>
Operating profit/loss		10.611.217	4.299.056
Income from investments in group enterprises		(2.842)	(605)
Financial expenses from group enterprises		(1.804.082)	(1.503.952)
Other financial expenses		<u>(1.760.121)</u>	<u>(2.287.465)</u>
Profit/loss before tax		7.044.172	507.034
Tax on profit/loss for the year	3	<u>(1.557.762)</u>	<u>(110.188)</u>
Profit/loss for the year	4	<u>5.486.410</u>	<u>396.846</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Other fixtures and fittings, tools and equipment		2.029.295	1.046.281
Property, plant and equipment	5	<u>2.029.295</u>	<u>1.046.281</u>
Investments in group enterprises		469.962	511.138
Fixed asset investments	6	<u>469.962</u>	<u>511.138</u>
Fixed assets		<u>2.499.257</u>	<u>1.557.419</u>
Raw materials and consumables		84.985.760	99.127.267
Work in progress		12.970.705	20.448.053
Manufactured goods and goods for resale		8.077.060	0
Inventories		<u>106.033.525</u>	<u>119.575.320</u>
Trade receivables		6.152.768	5.782.861
Contract work in progress		990.609	150.825
Receivables from group enterprises		2.194.593	0
Deferred tax	7	786.563	1.630.073
Other receivables		69.618	23.549
Joint taxation contribution receivable		0	456.151
Prepayments	8	1.014.556	637.000
Receivables		<u>11.208.707</u>	<u>8.680.459</u>
Cash		<u>1.775.476</u>	<u>124.556</u>
Current assets		<u>119.017.708</u>	<u>128.380.335</u>
Assets		<u>121.516.965</u>	<u>129.937.754</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Contributed capital	9	3.100.000	3.100.000
Reserve for net revaluation according to the equity method		366.522	407.698
Retained earnings		<u>44.857.275</u>	<u>39.368.023</u>
Equity		<u>48.323.797</u>	<u>42.875.721</u>
Other provisions	10	<u>3.200.000</u>	<u>0</u>
Provisions		<u>3.200.000</u>	<u>0</u>
Bank loans		9.386.352	25.895.616
Prepayments received from customers		743.997	0
Trade payables		1.814.032	1.021.376
Payables to group enterprises		53.047.540	54.756.831
Joint taxation contribution payable		738.537	0
Other payables		1.203.240	1.576.136
Deferred income	11	<u>3.059.470</u>	<u>3.812.074</u>
Current liabilities other than provisions		<u>69.993.168</u>	<u>87.062.033</u>
Liabilities other than provisions		<u>69.993.168</u>	<u>87.062.033</u>
Equity and liabilities		<u>121.516.965</u>	<u>129.937.754</u>
Unrecognised rental and lease commitments	12		
Contingent liabilities	13		
Assets charged and collateral	14		
Related parties with controlling interest	15		
Transactions with related parties	16		
Group relations	17		

Statement of changes in equity for 2017

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Total DKK
	<u>DKK</u>	<u>DKK</u>	<u>DKK</u>	<u>DKK</u>
Equity beginning of year	3.100.000	407.698	39.368.023	42.875.721
Exchange rate adjustments	0	(38.334)	0	(38.334)
Profit/loss for the year	0	(2.842)	5.489.252	5.486.410
Equity end of year	3.100.000	366.522	44.857.275	48.323.797

Notes

	2017	2016
	DKK	DKK
1. Staff costs		
Wages and salaries	5.513.028	8.073.894
Pension costs	956.629	764.437
Other social security costs	97.407	145.154
	6.567.064	8.983.485
Average number of employees	12	17

	Remunera- tion of manage- ment 2017 DKK	Remunera- tion of manage- ment 2016 DKK
Total amount for management categories	1.438.057	1.267.909
	1.438.057	1.267.909

Referring to section 98(3) of the Danish Financial Statements Act remuneration of management is joint for management categories.

Remuneration of management is partly included in other external expenses as management fee form group companies and staff costs.

	2017	2016
	DKK	DKK
2. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	1.111.355	485.011
Profit/loss from sale of intangible assets and property, plant and equipment	0	(25.000)
	1.111.355	460.011

Notes

	2017	2016
	DKK	DKK
3. Tax on profit/loss for the year		
Current tax	714.252	0
Change in deferred tax	843.510	566.339
Refund in joint taxation arrangement	0	(456.151)
	1.557.762	110.188
	2017	2016
	DKK	DKK
4. Proposed distribution of profit/loss		
Retained earnings	5.486.410	396.846
	5.486.410	396.846
		Other
		fixtures and
		fittings,
		tools and
		equipment
		DKK
5. Property, plant and equipment		
Cost beginning of year		5.909.596
Transfers		1.914.899
Additions		179.470
Cost end of year		8.003.965
Depreciation and impairment losses beginning of year		(4.863.315)
Depreciation for the year		(1.111.355)
Depreciation and impairment losses end of year		(5.974.670)
Carrying amount end of year		2.029.295

Transfers comprise a gas turbine used for rental transferred from manufactured goods and goods for resale to other fixtures and fittings, tools and equipment.

Notes

	Invest- ments in group enterprises DKK
6. Fixed asset investments	
Cost beginning of year	103.440
Cost end of year	103.440
Revaluations beginning of year	407.698
Exchange rate adjustments	(38.334)
Share of profit/loss for the year	(2.842)
Revaluations end of year	366.522
Carrying amount end of year	469.962

	Corpo- rate form	Equity inte- rest %
Registered in		
Investments in group enterprises comprise:		
Hans Kjellerup Norway AS	Stavanger, Norge AS	100,0

	2017 DKK	2016 DKK
7. Deferred tax		
Property, plant and equipment	87.578	21.089
Provisions	704.000	0
Tax losses carried forward	0	1.619.324
Other deductible temporary differences	(5.015)	(10.340)
	786.563	1.630.073
Changes during the year		
Beginning of year	1.630.073	
Recognised in the income statement	(843.510)	
End of year	786.563	

Deferred tax comprises primarily deferred tax assets on provisions for servicecontracts which is expected to be used in 2018.

Notes

8. Prepayments

Prepayments comprise primarily of advance payment regarding rent and insurance premium etc.

	<u>Number</u>	<u>Par value DKK</u>	<u>Nominal value DKK</u>
9. Contributed capital			
Ordinary shares	620	5000	3.100.000
	620		3.100.000

10. Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments and servicecontracts.

11. Deferred income

Short-term deferred income comprise prepayment regarding service contracts.

	<u>2017 DKK</u>	<u>2016 DKK</u>
12. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	175.057	401.831

Unrecognised rental and lease commitments comprise operating leasing agreements regarding other fixtures and fittings, tools and equipment until expiry of those agreements in 2019.

13. Contingent liabilities

The Company's bank have issued payment guarantee to third party for a total amount of 225.400 GBP

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

Notes

14. Assets charged and collateral

An all monies mortgage (floating charge) for DKK 40,000,000 nominal has been deposited to secure bank loans.

The floating charge covers inventories of raw materials, semi-products and finished products, unse-cured claims resulting from the sale of goods and services, fixtures and fittings, tools and equipment as well as goodwill, domain names and rights under the Danish Consolidate Patents Act, the Danish Consolidate Trade-marks Act, the Danish Consolidate Designs Act, the Danish Consolidate Utility Models Act, the Danish Patterns Act, the Danish Copyright Act and the Danish Act on the Design of Semi-Conductor Products.

The carrying amount of assets subject to the floating charge is DKK 115,044,308 and attributable to other fixtures and fittings, tools and equipment of DKK 1,867,406 inventories of DKK 106,033,525 trade receivables of DKK 6,152,768 and contract work in progress of DKK 990,609.

Collateral provided for group enterprises

The Company has guaranteed the subsidiaries' bank loans. The guarantee is unlimited. The subsidiaries' bank loans total DKK 49,927,644

15. Related parties with controlling interest

HKJ Group A/S, Esbjerg, holds the majority of shares in the Entity and controls the Entity.

European Support Services (UK) Ltd., England holds the majority of shares in HKJ Group A/S, Esbjerg.

16. Transactions with related parties

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

17. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
European Support Services (UK) Ltd., United Kingdom

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

The group report for the foreign parent company can be ordered from the following address.

European Support Services (UK) Ltd., 15 Newland, Lincoln, Lincolnshire, LN1 1XG, United Kingdom

Accounting policies

Reporting class

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

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

Consolidated financial statements

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

Recognition and measurement

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

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

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

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

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

Foreign currency translation

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

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

Accounting policies

income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

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

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, cost of raw materials and consumables and other external expenses.

Revenue

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

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Costs of raw materials and consumables

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

Other external expenses

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

Staff costs

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

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and assets comprise depreciation, amortisation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of property, plant and equipment.

Income from investments in group enterprises

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

Accounting policies

Financial expenses from group enterprises

Financial expenses from group enterprises comprise interest expenses etc from payables to group enterprises.

Other financial expenses

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

Tax on profit/loss for the year

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

The Entity is jointly taxed with HKJ Group A/S and all the Entity' Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Property, plant and equipment

Other fixtures and fittings, tools and equipment as well as leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-constructed assets, cost comprises direct and indirect costs of materials, components, suppliers and labour costs.

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

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3-5 years

Estimated useful lives and residual values are reassessed annually.

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

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Accounting policies

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

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

Inventories

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

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

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

Receivables

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

Contract work in progress

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

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

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

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

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

Deferred tax

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

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

Accounting policies

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments and service contracts.

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

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

Other financial liabilities

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

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Joint taxation contributions payable or receivable

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

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

Referring to section 86 (4) of the Danish Financial Statements Act, Gas Turbine Services A/S has not prepared any cash flow statements, given that there are cash flow statements in the consolidated financial statement of HKJ Group A/S.