

NCC Property Development A/S

Tobaksvejen 2A, DK-2860 Søborg

Annual Report for 2023

CVR No: 26 70 86 72

The Annual Report was
presented and adopted
at the Annual General
Meeting of the company
on 23/5 2024

Claus Asger Olsen
Chairman of the AGM

Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's statement	2
Independent Auditor's report	3
Management's Review	
Company information	6
Financial Highlights	7
Management's review	8
Financial Statements	
Income statement 1 January - 31 December 2023	11
Balance sheet 31 December	12
Statement of changes in equity	14
Notes to the Financial Statements	15

Management's statement

The Executive Board has today considered and adopted the Financial Statements of NCC Property Development A/S for the financial year 1 January – 31 December 2023.

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 December 2023 of the Company and of the results of the Company operations for the financial year 1 January – 31 December 2023.

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

We recommend that the Financial Statements be adopted at the Annual General Meeting

Søborg, 23 May 2024

Executive Board

Ole Faurby

Jesper Tougaard Michaelsen

Claus Asger Olsen

Board of Directors

Bo Sture Joachim Holmberg

Ahmed Galijasevic

Frida Ingrid Matilda Jacobson

Ole Faurby

Independent Auditor's report

To the shareholder of NCC Property Development A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of NCC Property Development A/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

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. 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.

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.

Independent Auditor's report

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.

Independent Auditor's report

- 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.

Hellerup, 23 May 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Allan Knudsen
State Authorised Public Accountant
mne29465

Morten Jørgensen
State Authorised Public Accountant
mne32806

Company information

The Company

NCC Property Development A/S
Tobaksvejen 2A
DK-2860 Søborg

CVR No: 26 70 86 72

Financial period: 1 January – 31 December

Municipality of reg. office: Gladsaxe

Board of Directors

Bo Sture Joachim Holmberg, Chairman
Ahmed Galijasevic
Frida Ingrid Matilda Jacobson
Ole Faurby

Executive Board

Ole Faurby
Jesper Tougaard Michaelsen
Claus Asger Olsen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

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

	2023	2022	2021	2020	2019
	Million DKK	Million DKK	Million DKK	Million DKK	Million DKK
Key figures					
Profit/loss					
Revenue	4	31	850	24	269
Gross profit	-19	42	170	45	21
Profit/loss before financial income and expenses	-51	12	142	19	-8
Profit/loss of financial income and expenses	158	-2	-6	60	-7
Net profit/loss	118	7	106	75	-12
Balance sheet					
Balance sheet total	417	757	517	775	659
Equity	208	153	296	190	216
Average number of employees	16	17	17	17	19
Ratios					
Gross margin	-475,8%	132,4%	20,0%	187,5%	7,8%
Solvency ratio	50,0%	20,3%	57,3%	24,5%	32,8%
Return on equity	65,2%	3,2%	43,6%	36,9%	-5,4%

Management's review

The Annual Report of NCC Property Development A/S 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

Key activities

NCC Property Development A/S is engaged in the development and sale of office buildings, office properties with the in-house developed Company House® concept, retail, logistics and larger commercial district projects as well as residential properties. The activity is operated under the name NCC Property Development A/S. The company's activities take place exclusively on the Danish market.

Development in the year

Revenue for the year was DKK 4 million (2022: DKK 31 million) with a profit before tax of DKK 107 million (2022: DKK 10 million).

The company's profit was DKK 118 million, as one major property was completed for handover during the year.

The level of activity has been modest, based on the fact that the general economic development in several cases has led to increased uncertainty in the market for office buildings. NCC Property Development A/S employed an average of 16 employees in 2023, which is a small decline from the number in 2022.

Solvency and financing

The solvency ratio amounts to 50,0% (2022: 20.3%), corresponding to equity at 31 December 2023 of DKK 208 million (2022: DKK 153 million), as dividends of DKK 63 million were paid in 2023.

As of 31 December 2023, NCC Property Development A/S was primarily financed by loans from NCC Treasury AB with DKK 147 million (2022: DKK 572 million). The company's capital preparedness is very good in the form of the loan preparedness set up by NCC Treasury AB

Ongoing projects

At the end of 2023, NCC Property Development A/S has no ongoing project. In 2023 NCC Property Development A/S acquired exclusivity to develop residential properties at 2 different land plots.

Management's review

Market risks

NCC Property Development A/S' is affected by the general economic development. Also in 2023, the market for investment properties was affected by higher interest rates and increased construction costs. Both parts led to a general slowing down of the level of activity.

NCC Property Development A/S is influenced by general social conditions; including, in particular, the business cycle and interest rates development as well as specific fiscal policy initiatives. Historically, the industry in Denmark has always been sensitive to these factors. The company is dependent on having financing available at all times. This access is secured through affiliation to the NCC group and the established loan contingency at NCC Treasury AB.

Invoicing is primarily done in Danish kroner (DKK), just as purchases from suppliers are primarily denominated in DKK. Thus, no significant currency risk applies.

The company sees no significant risks related to individual customers or business partners.

Market development

Despite some uncertainty about the development in the coming year, it is strongly believed that in the long term the market for office properties will continue to be attractive; especially when compared to companies' continued interest in moving their activities to new and sustainable properties with flexible interior design options and up-to-date environmental certifications.

Targets and expectations for the year ahead

The position of NCC Property Development A/S on the Danish market is among the leading with a capital base at an attractive level. The company has currently no project under construction, but some projects are expected to be launched within a period of up to 9 months, which is a good basis for the company's development in the coming years. No project is expected to be profit recognized in 2024 compared to 2023 when one project was profit recognized and had a significant positive effect on the company's profit and revenue. The result in 2024 is therefore expected to be slightly positive around zero.

External environment

As a development company, NCC Property Development A/S does not actually carry out production, which has a negative impact on the environment. Environmental experts assist the company with investigations prior to the acquisition of plots and existing properties, so risk of pollution affecting buildings and people, are eliminated as much as possible.

NCC Property Development A/S has adopted an environmental strategy which takes responsibility for minimizing the environmental impact of the buildings developed by the company. The goal is that all commercial buildings must be certified as "Gold" according to the DGNB standard as a minimum.

Management's review

Intellectual capital resources

It is of crucial importance for NCC Property Development A/S' market position that the company's employees have the best skills in the industry. The company therefore aims to attract, develop and retain the industry's most competent employees.

Corporate Social Responsibility

NCC Property Development A/S does not prepare an independent statement of policies in relation to social responsibility, including our environmental and climate policy and our working environment policy.

Please refer to NCC AB's annual accounts for 2023 NCC Property Development A/S is included in the consolidated accounts for NCC AB. For details on social responsibility, please refer to NCC AB's accounting ("Hållbarhetsredovisning "):

<https://www.ncc.se/investor-relations/rapporter--publikationer/arsredovisningar/>

NCC Property Development A/S is part of the NCC AB group, which is registered with the UN Global Compact.

An annual progress report is prepared. Our reporting to the UN Global Compact can be found at the following internet address:

<https://www.unglobalcompact.org/what-is-gc/participants/11006-NCC-Group#cop>

Diversity

The NCC AB group actively promotes diversity and counter discrimination. We believe that various backgrounds, skills, experiences and ideas contribute to creativity and new solutions. According to the company's Code of Conduct, all employees must be treated equally - regardless of ethnic background, gender, age, religion, sexual orientation, lifestyle or anything else:

<https://www.ncc.com/sustainability/code-of-conduct/>

Subsequent events

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

Income statement 1 January - 31 December

	Note	2023	2022
		DKK'000	DKK'000
Revenue		3 907	31 352
Production expenses	3	-22 495	10 155
Gross profit		-18 588	41 507
Administrative expenses	3	-32 901	-29 282
Profit/loss before financial income and expenses		-51 489	12 225
Income from investments in subsidiaries	4	157 992	-3 468
Financial income	5	4 303	4 463
Financial expenses	6	-4 094	-3 191
Profit/loss before tax		106 712	10 029
Tax on profit/loss for the year	7	11 216	-2 936
Net profit/loss for the year		117 928	7 093

Balance sheet 31 December

Assets

	Note	2023	2022
		DKK'000	DKK'000
Other fixtures and fittings, tools and equipment		12	19
Property, plant and equipment	8	12	19
Investments in subsidiaries	9	274 360	153 342
Fixed asset investments		274 360	153 342
Fixed assets		274 372	153 361
Inventories	10	75 972	191 636
Trade receivables		9 515	6 070
Receivables from group enterprises		44 061	394 795
Other receivables		145	1 317
Deferred tax assets	11	3 404	1 323
Corporation tax receivable		9 188	8 369
Receivables		66 313	411 874
Current assets		142 285	603 510
Assets		416 657	756 871

Balance sheet 31 December

Liabilities and equity

	Note	2023	2022
		DKK'000	DKK'000
Share capital	12	90 000	90 000
Retained earnings		68 407	479
Proposed dividend		50 000	63 000
Equity		208 407	153 479
Other provisions	13	49 462	19 379
Provisions		49 462	19 379
Other payables		1 300	1 300
Long-term debt	14	1 300	1 300
Trade payables		3 543	2 384
Payables to group enterprises		146 594	571 650
Other payables	14	7 214	7 724
Deferred income		137	955
Short-term debt		157 488	582 713
Debt		158 788	584 013
Liabilities and equity		416 657	756 871
Uncertainty relating to recognition and measurement	1		
Subsequent events	2		
Profit allocation	15		
Contingent assets, liabilities and other financial obligations	16		
Related parties and disclosure of consolidated financial statements	17		
Accounting Policies	18		

Statement of changes in equity

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Proposed dividend</u>	<u>Total</u>
	DKK'000	DKK'000	DKK'000	DKK'000
Equity at 1 January	90 000	479	63 000	153 479
Dividend paid			-63 000	-63 000
Net profit/loss for the year	0	67 928	50 000	117 928
Equity at 31 December	90 000	68 407	50 000	208 407

Notes to the Financial Statements

1 Uncertainty relating to recognition and measurement

In connection with the preparation of the financial statements, Company Management has made a number of assumptions, estimates and assessments, which form part of the basis for recognition and measurement of the Company's assets and liabilities as well as income and expenses.

These assumptions and assessments are based on past experience and business knowledge as well as other factors that management considers reasonable, but which by their nature can be uncertain and unpredictable. Unexpected events and conditions may cause the actual results to deviate from the estimates and assessments made.

It is the management's assessment that the following accounting estimates and assessments may be significant for the financial statements:

Land and buildings, which are not considered to be for continuous ownership or use, as well as construction projects at own risk, are measured at the lower of cost and net realisable value. Net realisable value is assessed by the Company based on market yield requirements, location, expected return and maintenance requirements.

Management's estimates and assessments are based on past experience and business knowledge.

2 Subsequent events

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

Notes to the Financial Statements

	2023	2022
	DKK'000	DKK'000
3 Staff		
Wages and salaries	24 690	20 846
Pensions	1 909	1 813
Other social security expenses	-172	234
	26 427	22 893
Wages and salaries, pensions and other social security expenses are recognised in the following items:		
Production expenses	17 393	13 735
Administrative expenses	9 034	9 158
	26 427	22 893
Remuneration to the Executive Board	6 733	6 763
Average number of employees	16	17
4 Income from investments in subsidiaries		
Impairment of investment in subsidiaries	0	-3 468
Profit from sale investments in subsidiaries	157 992	0
	157 992	-3 468
5 Financial income		
Interest received from group enterprises	4 303	4 463
	4 303	4 463
6 Financial expenses		
Interest paid to group enterprises	3 963	3 063
Other financial expenses	9	30
Exchange adjustments, expenses	122	98
	4 094	3 191

Notes to the Financial Statements

	2023	2022
	DKK'000	DKK'000
7 Tax on profit/loss for the year		
Current tax for the year	-9 188	-4 751
Deferred tax for the year	-2 081	7 669
Adjustment of tax concerning previous years	53	18
	-11 216	2 936
8 Property, plant and equipment		Other fixtures and fittings, tools and equipment
		DKK'000
Cost at 1 January		212
Cost at 31 December		212
Impairment losses and depreciation at 1 January		193
Depreciation for the year		7
Impairment losses and depreciation at 31 December		200
Carrying amount at 31 December		12

Notes to the Financial Statements

	2023	2022
	DKK'000	DKK'000
9 Investments in subsidiaries		
Cost at 1 January	156 810	156 810
Additions for the year	191 255	0
Disposals for the year	-70 237	0
Cost at 31 December	<u>277 828</u>	<u>156 810</u>
Value adjustment 1 January	-3 468	0
Impairment losses for the year	0	-3 468
Value adjustment 31 December	<u>-3 468</u>	<u>-3 468</u>
Carrying amount at 31 December	<u>274 360</u>	<u>153 342</u>

Investments in subsidiaries are specified as follows:

Name, Place of registered office and share capital	Votes and ownership	Equity	Net profit/loss for the year
		DKK'000	DKK'000
VCH IV ApS, Gladsaxe, TDKK 50	100%	49 059	7 603
Flintholm II ApS, Gladsaxe, TDKK 50	100%	36 854	606
Copen ApS, Gladsaxe, TDKK 40	100%	97 942	-2 098
Kontorværket ApS, Gladsaxe, TDKK 40	100%	90 323	-931
NCC PD Komplementar ApS, Gladsaxe, TDKK 50	100%	50	0

Notes to the Financial Statements

	2023	2022
	DKK'000	DKK'000
10 Inventories		
Land and buildings for sale	75 972	191 636
	75 972	191 636
11 Deferred tax assets		
Deferred tax assets 1 January	1 323	8 992
Amounts recognised in the income statement for the year	2 081	-7 669
Deferred tax assets 31 December	3 404	1 323
Transferred to deferred tax assets	3 404	1 323
	3 404	1 323
Deferred tax assets		
Deferred tax assets, recognised	3 404	1 323
Carrying amount at 31 December	3 404	1 323

12 Share capital

The Company's share capital of 900,000 shares with a nominal value of DKK 100. No shares are assigned special rights.

There have been no changes in the Company's share capital in the past 5 years.

Notes to the Financial Statements

	2023	2022
	DKK'000	DKK'000
13 Other provisions		
<p>The Company is obliged to complete and do warranty repairs etc. on sold projects. Provisions are recognised, as a result of a previous event, when the company has a legal or constructive, and it is probable that economic benefits must be given up to settle the obligation. Provisions are measured at net realisable value. If settlement of the obligation is expected to be far in the future, the obligation is measured at fair value.</p>		
Provisions at 1 January	19 379	54 888
Accrued for the year	52 500	-14 438
Utilised for the year	-22 417	-21 071
	49 462	19 379
<p>The provisions are expected to mature as follows:</p>		
Within 1 year	49 462	19 379
	49 462	19 379

14 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

Other payables

Between 1 and 5 years	1 300	1 300
Long-term part	1 300	1 300
Other payables, short-term	7 214	7 724
	8 514	9 024

Notes to the Financial Statements

	2023	2022
	DKK'000	DKK'000
15 Profit allocation		
Extraordinary dividend, paid	0	150 000
Proposed dividend	50 000	63 000
Retained earnings	67 928	-205 907
	117 928	7 093

16 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	5 088	3 841
Between 1 and 5 years	4 663	7 352
	9 751	11 193

Other contingent liabilities

As part of the Company's operation, there are ongoing disputes and additional claims against contractors, customers etc. These claims are only recognised if they have been accepted by the counterparty. It is the management's opinion, that the outcome of these legal proceedings will not affect the company's financial position.

The Company is jointly taxed with the Danish companies in the NCC Group. The joint taxation also covers withholding taxes in form of dividend tax, royalty tax and interest tax. The Danish companies are jointly and individually liable for the joint taxation. Any subsequent adjustment to income taxes may lead to a larger liability. The tax for the individual companies is allocated in full basis of the expected taxable income.

Notes to the Financial Statements

17 Related parties and disclosure of consolidated financial statements

	<u>Basis</u>
Controlling interest	
NCC Property Development Nordic AB Herrjärva Torg 4, 170 80 Solna, Sweden	Shareholder

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Consolidated Financial Statements

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

<u>Name</u>	<u>Place of registered office</u>
NCC AB	Herrjärva Torg 4, 170 80 Solna, Sweden

The Group Annual Report of NCC AB may be obtained at the following address:

Herrjärva Torg 4, 170 80 Solna, Sweden

or at

<https://www.ncc.com/investor-relations/>

Notes to the Financial Statements

18 Accounting policies

The Annual Report of NCC Property Development A/S 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 are presented in TDKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of NCC AB, 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 NCC AB, the Company has not prepared a cash flow statement.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

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.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Notes to the Financial Statements

18 Accounting policies (continued)

Translation policies

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 transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

Income statement

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when delivery and transfer of risk to the buyer have been made before year end.

Revenue includes income from sold property projects including contract work, property trading and letting. Revenues regarding real estate projects are recognised at the and transfer of risk to the buyer (sales method). Rental income is recognised in the accounting period to which it relates.

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

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.

Administrative expenses

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

Notes to the Financial Statements

18 Accounting policies (continued)

Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

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.

The Company is jointly taxed with Danish subsidiaries in the NCC Group. The tax effect of the joint taxation with the subsidiaries is allocated to enterprises showing profits or losses in proportion to their taxable incomes.

Balance sheet

Intangible fixed assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over 20 years in accordance with the Danish statutory regulations for intangible assets with indefinite useful lives.

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:

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

Depreciation period and residual value are reassessed annually.

Notes to the Financial Statements

18 Accounting policies (continued)

Impairment of fixed assets

The carrying amounts of 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 depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Inventories

Inventories consists of land and building and are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the properties 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.

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.

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.

Provisions include expected costs for completing sold projects. Provisions are recognised, as a result of a previous event, when the company has a legal or constructive, and it is probable that economic benefits must be given up to settle the obligation. Provisions are measured at net realisable value. If settlement of the obligation is expected to be far in the future, the obligation is measured at fair value.

Notes to the Financial Statements

18 Accounting policies (continued)

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets 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 within the same legal tax entity.

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. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

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 debts

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

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Financial Highlights

Explanation of financial ratios

Gross margin	$\text{Gross profit} \times 100 / \text{Revenue}$
Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Profit before financials} \times 100 / \text{Average equity}$