

Eurowater Holding A/S

Aarhusvej 79, Stilling, 8660 Skanderborg

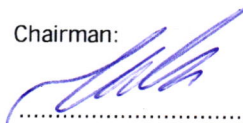
CVR no. 27 06 91 50



Annual report 2015/16

Approved at the Company's annual general meeting on 25 January 2017

Chairman:



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Harry Viiala

EY

Building a better
working world



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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 Eurowater Holding A/S for the financial year 1 November 2015 - 31 October 2016.

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

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 31 October 2016 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 November 2015 - 31 October 2016.

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

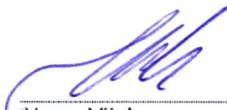
We recommend that the annual report be approved at the annual general meeting.

Stilling, 25 January 2017
Executive Board:

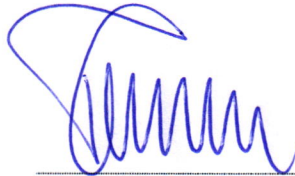


Kurt Hufnagl

Board of Directors:



Harry Viiala
Chairman



Torben Buhl



Kurt Hufnagl

Independent auditors' report

To the shareholders of Eurowater Holding A/S

Independent auditors' report on the consolidated financial statements and the parent company financial statements

We have audited the consolidated financial statements and the parent company financial statements of Eurowater Holding A/S for the financial year 1 November 2015 – 31 October 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies for the Group as well as for the parent company and consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the consolidated financial statements and the parent company financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of consolidated financial statements and parent company financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 October 2016 and of the results of the Group's and the parent company's operations and consolidated cash flows for the financial year 1 November 2015 – 31 October 2016 in accordance with the Danish Financial Statements Act.

Independent auditors' report

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Aarhus, 25 January 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Jakob Nyborg
State Authorised Public Accountant



Henrik Andersen
State Authorised Public Accountant

Management's review

Company details

Name	Eurowater Holding A/S
Address, zip code, city	Aarhusvej 79 Stilling DK-8660 Skanderborg
CVR no.	27 06 91 50
Established	5 March 2003
Registered office	Skanderborg
Financial year	1 November – 31 October
Telephone	+45 87 93 83 00
Board of Directors	Harry Viiala, Chairman Torben Buhl Kurt Hufnagl
Executive Board	Kurt Hufnagl
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25 DK-8100 Aarhus C
Subsidiaries	Silhorko-Eurowater A/S, Denmark Armacoat A/S, Denmark Eurotronic ApS, Denmark Eurotank A/S, Harlev, Denmark Eurowater AB, Sweden Eurowater AS, Norway Eurowater B.V., the Netherlands Eurowater Kft., Hungary Eurowater Ltd., Ukraine Eurowater N.V., Belgium Eurowater S.r.o., Slovakia Eurowater S.r.o., the Czech Republic Eurowater Sarl., France Eurowater Sp. z o.o., Poland Eurowater Wasseraufbereitung AG, Switzerland Eurowater Wasseraufbereitung Ges.mBH, Austria Eurowater Wasseraufbereitung GmbH, Germany Unitex Sp. z o.o., Poland

Management's review

Financial highlights for the Group

DKK'000	2015/16	2014/15	2013/14	2012/13	2011/12
Key figures					
Revenue	364,682	364,251	374,549	334,281	308,098
Gross profit	45,358	47,915	52,148	47,646	43,985
Ordinary operating profit	33,412	35,869	39,890	37,906	34,194
Profit/loss from financial income and financial expenses	-3,621	-3,833	-4,123	-3,374	-3,741
Profit for the year	19,476	22,478	24,932	22,594	20,521
Non-current assets	74,826	77,264	82,944	86,072	71,660
Current assets	198,951	190,583	177,138	174,731	163,181
Total assets	273,777	267,847	260,082	260,803	234,841
Portion relating to investment in property, plant and equipment	-9,571	-7,823	-12,938	-23,856	-13,015
Share capital	14,000	20,000	20,000	20,000	20,000
Equity	107,450	153,153	139,971	126,898	114,309
Provisions	6,236	7,022	7,335	6,980	4,268
Non-current liabilities other than provisions	65,628	33,942	35,837	39,248	37,996
Current liabilities other than provisions	92,308	71,661	75,168	86,215	77,069
Cash flows from operating activities	35,858	17,421	18,781	36,093	24,434
Cash flows from investing activities	-9,780	-5,877	-8,600	-26,082	-13,213
Cash flows from financing activities	-26,522	-12,814	-13,194	-9,016	-15,032
Total cash flows	-444	-1,270	-3,013	995	-3,811
Financial ratios					
Operating margin	9.2	9.8	10.7	11.3	11.0
Return on invested capital	17.2	21.3	24.6	25.1	30.0
Gross margin	12.4	13.2	13.9	14.3	14.3
Current ratio	215.5	180.5	159.0	139.3	211.7
Solvency ratio	39.2	57.2	53.7	48.7	48.7
Return on equity	14.9	15.8	18.7	18.9	18.8

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.

Management's review

Operating review

Principal activity

The objective of Eurowater Holding A/S is to carry out trade and industrial activities directly or through investments in other companies as well as all related activities at the discretion of the Board of Directors and through ownership of Silhorko-Eurowater A/S, whose objective is to manufacture and service water treatment plants, including global sale.

Development in activities and financial position

The Group's revenue amounted to DKK 365.1 million in 2015/16 as against DKK 364.3 million in 2014/15.

During the year, a number of projects were completed in relation to the treatment of drinking water and technical water to be used in the industrial sector and the utility sector.

The treatment of drinking water projects comprise a large number of closed pressure filter solutions that optimise water treatment processes and minimise risks of contamination of drinking water and interruptions of operation at waterworks.

The treatment of technical water projects comprise a large number of complete water treatment solutions within a wide variety of fields of application where the solutions focus on water and energy savings without compromising on quality and operating efficiency.

Profit for the year

Profit after tax for the year amounted to DKK 20.4 million in 2015/16 against DKK 22.5 million in 2014/15. In 2015/16, net financials showed net expenses of DKK 3.6 million compared to net expenses of DKK 3.8 million in 2014/15. The results are considered satisfactory.

At 31 October 2016, equity amounted to DKK 108.4 million. In the financial statements for 2015/16, dividends of DKK 7 million have been proposed.

Research and development activities

The Group does not have any actual research activities. The products are developed and improved on an ongoing basis.

Outlook

For 2016/17, a slight increase in revenue and profit is expected.

General risks

The Group and the parent company have no specific risks in relation to operations.

Corporate social responsibility

Silhorko-Eurowater A/S has not yet drawn up corporate social responsibility policies, policies on human rights and climate impact applicable to the entire Group.

Gender quotation

The share of female members on the Board of Directors is 0%. It is the goal to have the underrepresented gender represented on the Board of Directors. The goal is to have at least one of each gender represented on the Board of Directors within a four-year period. The Company has a policy of increasing the underrepresented gender on the Executive Board. In recruitment context, we are always looking for the best candidates. Part of the considerations include a goal to improve the qualifications and increase recruitment of the underrepresented gender. It is our intention always to have representatives from the underrepresented gender among the last candidates for executive positions, promotions, management training, etc. As of 31 October 2016, the Executive Board is unchanged, and therefore we have not yet achieved measurable results.



Management's review

Operating review

Events after the balance sheet date

No events have occurred after the balance sheet date, which may materially affect the Company's financial position.

Financial statements 1 November – 31 October

Income statement

Note	DKK'000	Consolidated		Parent company	
		2015/16	2014/15	2015/16	2014/15
2	Revenue	364,682	364,251	0	0
	Cost of sales	-126,072	-130,136	0	0
	Contribution margin	238,610	234,115	0	0
4	Other external costs	-43,345	-40,870	-311	-56
	Other operating income	2,421	3,664	0	0
3	Staff costs:				
	Wages and salaries	-132,256	-129,634	0	0
	Pensions	-5,304	-5,095	0	0
	Social security costs	-14,768	-14,265	0	0
	Gross profit/loss	45,358	47,915	-311	-56
5	Depreciation/amortisation	-11,946	-12,046	-2,412	-2,412
	Operating profit/loss, etc.	33,412	35,869	-2,723	-2,468
10	Profit from subsidiaries	0	0	22,216	25,160
	Profit from other investments	44	296	0	0
6	Financial income	688	544	1,159	718
7	Financial expenses	-4,309	-4,377	-1,210	-1,007
	Profit before tax	29,835	32,332	19,442	22,403
8	Tax on profit	-10,070	-9,148	34	75
	Profit for the year	19,765	23,184	19,476	22,478
	Non-controlling shareholders' share of the results of subsidiaries	-289	-706	0	0
	Eurowater Holding A/S' share of profit for the year	19,476	22,478	19,476	22,478
	Proposed profit appropriation				
	Proposed dividends			7,000	0
	Reserve for net revaluation according to the equity method			22,216	25,160
	Retained earnings			-9,740	-2,682
				19,476	22,478

Financial statements 1 November – 31 October

Balance sheet

Note	DKK'000	Consolidated		Parent company	
		2016	2015	2016	2015
	ASSETS				
	Non-current assets				
9	Intangible assets				
	Goodwill	2,412	4,824	2,412	4,824
	Other intangible assets	551	339	0	0
		<u>2,963</u>	<u>5,163</u>	<u>2,412</u>	<u>4,824</u>
9	Property, plant and equipment				
	Properties	49,652	51,370	0	0
	Operating equipment	21,476	20,141	0	0
	Property, plant and equipment under construction	0	59	0	0
		<u>71,128</u>	<u>71,570</u>	<u>0</u>	<u>0</u>
	Investments				
10	Shares in subsidiaries	0	0	123,071	120,992
	Deposit	515	344	0	0
	Other investments	220	187	0	0
		<u>735</u>	<u>531</u>	<u>123,071</u>	<u>120,992</u>
	Total non-current assets	<u>74,826</u>	<u>77,264</u>	<u>125,483</u>	<u>125,816</u>
	Current assets				
	Inventories	79,903	70,536	0	0
		<u>79,903</u>	<u>70,536</u>	<u>0</u>	<u>0</u>
	Receivables				
	Trade receivables	69,753	71,963	0	0
11	Contract work in progress	2,211	2,919	0	0
	Amount owed by Silhorko-Eurowater A/S	0	0	28,916	31,072
	Other receivables	3,793	3,989	0	0
8	Joint taxation contribution receivable	0	0	4,388	3,610
8	Tax receivable	5,189	1,042	0	0
8	Deferred tax	59	1,682	46	49
	Prepayments	2,357	2,322	0	0
		<u>83,362</u>	<u>83,917</u>	<u>33,350</u>	<u>34,731</u>
	Cash at bank and in hand	35,686	36,130	24	7
	Total current assets	<u>198,951</u>	<u>190,583</u>	<u>33,374</u>	<u>34,738</u>
	TOTAL ASSETS	<u>273,777</u>	<u>267,847</u>	<u>158,857</u>	<u>160,554</u>

Financial statements 1 November – 31 October

Balance sheet

Note	DKK'000	Consolidated		Parent company	
		2016	2015	2016	2015
		EQUITY AND LIABILITIES			
		Equity			
12	Share capital	14,000	20,000	14,000	20,000
	Revaluation reserves, properties	10,945	10,945	0	0
	Reserve for net revaluation according to the equity method	0	0	69,792	67,662
	Retained earnings	75,505	122,208	16,658	65,491
	Proposed dividends	7,000	0	7,000	0
	Total equity	107,450	153,153	107,450	153,153
13	Minority interests	2,155	2,069	0	0
	Provisions				
8	Deferred tax	5,312	6,570	0	0
	Other provisions	924	452	0	0
	Total provisions	6,236	7,022	0	0
	Liabilities other than provisions				
	Non-current liabilities other than provisions				
14	Subordinate loan capital 1	3,500	5,000	3,500	5,000
	Mortgage debt	20,191	22,767	0	0
	Other non-current liabilities	50,847	7,669	44,375	0
	Lease obligation	0	0	0	0
	Next year's instalment, transferred to current liabilities other than provisions	-8,910	-1,494	-7,500	0
		65,628	33,942	40,375	5,000
	Current liabilities other than provisions				
	Next year's instalment on non-current liabilities other than provisions	8,910	1,494	7,500	0
	Trade payables	20,342	18,602	0	0
11	Contract work in progress	406	37	0	0
	Bank loans and overdrafts	16,164	7,932	0	0
	Other payables	28,731	30,440	85	61
	Financial instruments	3,473	4,043	0	0
8	Corporation tax	3,903	2,327	3,447	2,340
	Deferred income	10,379	6,786	0	0
		92,308	71,661	11,032	2,401
	Total liabilities other than provisions	157,936	105,603	51,407	7,401
	TOTAL EQUITY AND LIABILITIES	273,777	267,847	158,857	160,554

- 1 Accounting policies
 15 Contingent liabilities, other financial commitments and collateral
 16 Related parties

Financial statements 1 November – 31 October

Statement of changes in equity

DKK'000	Consolidated		Parent company	
	2015/16	2014/15	2015/16	2014/15
Equity at 1 November	153,153	139,971	153,153	139,971
Profit for the year	19,476	22,478	19,476	22,478
Adjustment of financial instruments	445	480	445	480
Distributed dividends	-65,043	-10,000	-65,043	-10,000
Foreign exchange adjustments of the subsidiaries' opening values	-581	224	-581	224
Equity at 31 October	107,450	153,153	107,450	153,153
Equity is specified as follows:				
Share capital at 1 November	20,000	20,000	20,000	20,000
Capital reduction	-6,000	0	-6,000	0
Share capital at 31 October	14,000	20,000	14,000	20,000
Revaluation reserves, properties at 1 November	10,945	10,945	0	0
Transferred to retained earnings	0	0	0	0
Revaluation reserves, properties at 31 October	10,945	10,945	0	0
Revaluation reserves according to the equity method at 1 November	0	0	67,662	71,798
Adjustment of financial instruments	0	0	445	480
Foreign exchange adjustments of the subsidiaries' opening values	0	0	-581	224
Dividends, subsidiaries	0	0	-59,043	-30,000
Profit for the year in subsidiaries	0	0	22,216	25,160
Revaluation reserve according to the equity method at 31 October	0	0	30,699	67,662
Retained earnings at 1 November	122,208	99,026	65,491	38,173
Foreign exchange adjustment of the opening values of subsidiaries	-581	224	0	0
Transferred from appropriation account	12,476	22,478	-9,740	-2,682
Adjustment of financial instruments	445	480	0	0
Dividends from subsidiaries	-59,043	0	0	30,000
Transferred from revaluation reserves, properties	0	0	0	0
Retained earnings at 31 October	75,505	122,208	55,751	65,491
Proposed dividends at 1 November	0	10,000	0	10,000
Dividends paid	0	-10,000	0	-10,000
Transferred from appropriation account	7,000	0	7,000	0
Proposed dividends at 31 October	7,000	0	7,000	0
Equity at 31 October	107,450	153,153	107,450	153,153

Capital reduction

The Company has made a capital reduction effective as of 16 December 2015. The share capital is reduced by DKK 6,000 thousand.

Financial statements 1 November – 31 October

Cash flow statement

Note	DKK'000	2015/16	2014/15
	Revenue	365,186	364,251
	Costs	-321,165	-320,000
	Other operating income, net	2,421	3,664
	Cash flows from operations (operating activities) before changes in working capital	46,442	47,915
	Changes in working capital	5,814	-13,794
	Cash flows from operations (operating activities) before financial income and expenses	52,256	34,121
6	Interest received	688	544
7	Interest paid	-4,309	-4,377
	Cash flows from operations (ordinary activities)	48,635	30,288
8	Corporation tax paid	-12,777	-12,867
	Cash flows from operating activities	35,858	17,421
9	Acquisition of property, plant and equipment	-9,571	-7,823
9	Acquisition of intangible assets	-581	-75
	Disposal of property, plant and equipment	372	1,360
	Acquisition and financial assets	0	661
	Cash flows from investing activities	-9,780	-5,877
	Repayment of long-term debt	-10,898	-2,058
	Proceeds from mortgage loans	50,000	0
	Foreign exchange adjustment of liabilities	-581	-58
	Dividends distributed	-65,043	-10,698
	Cash flows from financing activities	-26,522	-12,814
	Net cash flows for the year	-444	-1,270
	Cash and cash equivalents at 1 November	36,130	37,400
	Cash and cash equivalents at 31 October	35,686	36,130

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements and the parent company financial statements.

Financial statements 1 November – 31 October

Notes

1 Accounting policies

The annual report of Eurowater Holding A/S for 2015/16 has been prepared in accordance with the provisions applying to reporting class C (large) enterprises under the Danish Financial Statements Act.

The accounting policies used in the preparation of the consolidated financial statements and the parent company financial statements are consistent with those of last year.

Consolidated financial statements

The consolidated financial statements comprise the parent company and subsidiaries in which Eurowater Holding A/S directly or indirectly holds more than 50% of the voting rights or otherwise controls. The non-controlling interests' share of profit for the year and equity are disclosed as individual items.

The consolidated financial statements are prepared based on the financial statements of Eurowater Holding A/S and the consolidated companies restated to comply with the accounting policies of the Group. Similar items have been aggregated, and intra-group shareholdings, transactions, outstanding accounts and gains are eliminated.

Non-controlling interests

In the consolidated financial statements, the items of subsidiaries are recognised in full. The non-controlling interests' proportionate shares of the subsidiaries' results and equity are adjusted annually and recognised separately in the income statement and balance sheet.

Foreign currency translation

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

The income statement and balance sheets of foreign consolidated companies are translated at the official exchange rates at the balance sheet date. Foreign exchange differences arising on the translation of the opening equity at the exchange rates at the balance sheet date are recognised directly in equity.

Derivative financial instruments

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

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

Income statement

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement provided that delivery and transfer of risk to the buyer have taken place before year end and that the income can be reliably measured and is expected to be received. Revenue from the sale of services is recognised in the income when the services are completed and provided that the income can be reliably measured and is expected to be received. Revenue is measured excluding VAT, taxes and less discounts in relation to the sale.

Financial statements 1 November – 31 October

Notes

1 Accounting policies (continued)

Costs of sales

Costs of sales include costs for the purchase of goods to achieve the revenue for the year. Costs of sales include received discounts etc.

Staff costs

Staff costs comprise wages and salaries, remuneration, pensions and other staff costs to the employees.

Other operating income and costs

Other operating income and costs comprise items secondary to the activities of the enterprises.

Financial income and financial expenses

Financial income and financial expenses comprise interest income and expenses, gains and losses on payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

Tax for the year comprises current tax and changes in deferred tax for the year. 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

Goodwill acquired in subsidiaries is measured at cost less accumulated amortisation and impairment losses and is amortised on a straight-line basis over 3-15 years.

Other intangible assets comprise licences and software. The other intangible assets are measured at cost less amortisation and impairment losses and are amortised on a straight-line basis over 5-15 years.

Gains and losses on the disposal of development projects, patents and licences are determined as the difference between the sales price less disposal costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating costs, respectively.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, other plant and equipment are measured at cost less accumulated depreciation. Land is not depreciated.

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

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

Buildings	30-50 years
Plant and machinery	5-12 years
Fixtures and fittings, other plant and equipment	3-5 years

Depreciation is recognised in the income statement.

Financial statements 1 November – 31 October

Notes

1 Accounting policies (continued)

Minor acquisitions and repair and maintenance costs are expensed in the income statement.

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

Investments in subsidiaries

Investments in subsidiaries consist of companies in which the group holds more than 50% of the voting rights.

Income statement

The proportionate share of the results after tax of the individual enterprises is recognised in the income statement after full elimination of intra-group profits/losses and less amortisation of goodwill.

Balance sheet

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

Investments in subsidiaries are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the Group's accounting policies minus or plus unrealised intra-group profits and losses in accordance with the acquisition method.

Investments in subsidiaries with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down if the amount owed is irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

Net revaluation of investments in subsidiaries is recognised in the reserve for net revaluation in equity under the equity method to the extent that the carrying amount exceeds cost. Dividends from subsidiaries which are expected to be adopted before the approval of the annual report of Eurowater Holding A/S are not recognised in the reserve for net revaluation.

On acquisition of subsidiaries, the acquisition method is applied; see Consolidated financial statements above.

Impairment of non-current assets

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

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

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

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1 Accounting policies (continued)

Finished goods and work in progress 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. Borrowing costs are not recognised.

Receivables

Receivables are measured at amortised cost, usually nominal value.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, a write-down is made based on an individual assessment.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of the expected cash flows, including the realisable value of any collateral received.

Contract work in progress

Contract work in progress is measured at the selling price of the work performed. The selling price is measured by reference to the stage of completion at the balance sheet date and total expected income from the contract work.

When the selling price of a construction contract cannot be measured reliably, the selling price is measured at the lower of costs incurred and net realisable value.

Individual contract work in progress is recognised in the balance sheet under either receivables or payables. Net assets represent the sum of work in progress where the sales value of the work performed exceeds progress billings. Net liabilities represent the sum of work in progress where progress billings exceed the sales price.

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

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity

Reserve for net revaluation according to the equity method

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

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

The reserve cannot be recognised at a negative amount.

Dividends

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

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1 Accounting policies (continued)

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Provision for deferred tax is recognised on temporary differences between the carrying amount and the tax value of assets at the balance sheet date. Deferred taxes regarding the Company's properties are computed as the difference between cost and the tax base. Deferred tax is computed based on the existing tax rate. Changes for the year in deferred tax are recognised in the income statement.

Deferred tax assets, including the tax value of tax loss carry forwards, are recognised 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 and jurisdiction.

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 and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

The parent company is jointly taxed with Danish subsidiaries. The current Danish corporation tax is allocated between the jointly taxed Danish companies in proportion to their taxable income (full absorption with refunds for tax losses).

Liabilities

Financial liabilities are measured at amortised costs. Other liabilities are measured at net realisable value.

Deferred income

Deferred income comprises payments received concerning income in subsequent years.

Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

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1 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise liquid funds.

Segment information

Information is provided on business segments and geographical markets. Segment information is based on the Group's accounting policies, risks and internal financial management.

Financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and financial ratios 2015".

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

Operating margin	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$
Return on invested capital	$\frac{\text{Operating profit} \times 100}{\text{Average invested capital}}$
Invested capital	Operating intangible assets and property, plant and equipment plus net working capital
Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities other than provisions}}$
Solvency ratio	$\frac{\text{Equity, ex. no-controlling interests at year end} \times 100}{\text{Total equity and liabilities at year end}}$
Profit/loss for analytical purposes	Profit/loss from ordinary activities after tax
Return on equity	$\frac{\text{Profit/loss for analytical purposes} \times 100}{\text{Average equity}}$

2 Segment information

Geographical – secondary segment

DKK'000	Nordic countries	Rest of world	Total group
Revenue 2015/16	145,211	219,471	364,682
Revenue 2014/15	143,870	220,381	364,251

The Group operates solely in one business segment.

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3 Staff costs

There have been no employees in the parent company. At the balance sheet date, the subsidiaries had 342 employees (2014/15: 337 employees).

According to section 98 b (3) of the Danish Financial Statements Act, executive remuneration is not disclosed.

DKK'000	Consolidated		Parent company	
	2015/16	2014/15	2015/16	2014/15
4 Fees paid to the auditors appointed at the annual general meeting				
Total fees to EY	340	310	42	45
Total fees to others	843	869	0	0
	<u>1,183</u>	<u>1,179</u>	<u>42</u>	<u>45</u>
Fee regarding statutory audit	553	510	15	14
Tax assistance	6	33	6	6
Assurance engagements	7	11	0	0
Other assistance	617	625	21	25
	<u>1,183</u>	<u>1,179</u>	<u>42</u>	<u>45</u>

5 Depreciation and amortisation

DKK'000	Consolidated	
	2015/16	2014/15
Amortisation of other intangible assets, see note 9	363	799
Amortisation of goodwill, see note 9	2,412	2,412
Depreciation of properties, see note 9	1,841	1,783
Depreciation of operating equipment, see note 9	7,330	7,052
	<u>11,946</u>	<u>12,046</u>
	Parent company	
	2015/16	2014/15
Amortisation of goodwill, see note 9	2,412	2,412
	<u>2,412</u>	<u>2,412</u>

DKK'000	Consolidated		Parent company	
	2015/16	2014/15	2015/16	2014/15
6 Financial income				
Interest income, etc.	688	544	1,159	718
	<u>688</u>	<u>544</u>	<u>1,159</u>	<u>718</u>

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DKK'000	Consolidated		Parent company	
	2015/16	2014/15	2015/16	2014/15
7 Financial expenses				
Interest expense, subordinate loan capital	1,210	1,007	1,210	1,007
Interest expense, etc.	3,099	3,370	0	0
	4,309	4,377	1,210	1,007

8 Corporation tax

DKK'000	Consolidated		
	Current tax	Deferred tax	Total
Balance at 1 November 2015	1,285	4,889	6,174
Paid during the financial year	-10,499	0	-10,499
	-9,214	4,889	-4,325
Deferred tax on equity entries	125	0	125
Tax on profit from ordinary activities for 2015/16	10,070	169	10,239
Balance at 31 October 2016	981	5,058	6,039

DKK'000	Parent company		
	This year	Deferred tax	Total
Balance at 1 November 2015	-1,270	-49	-1,319
Paid, jointly taxed companies	364	0	364
Tax on profit for the year 2016	-37	3	-34
Balance at 31 October 2016	-943	-46	-989

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9 Intangible assets and property, plant and equipment

DKK'000	Consolidated					
	Other intangible assets	Goodwill	Properties	Operating equipment	Property, plant and equipment under construction	Total
Cost at 1 November 2015	8,112	36,180	64,165	78,057	59	186,573
Foreign exchange adjustment at 1 November 2015	-6	0	-350	-196	0	-552
Additions during the year	581	0	473	9,098	622	10,774
Disposals during the year	0	0	0	-5,611	-49	-5,660
Cost at 31 October 2016	8,687	36,180	64,288	81,348	632	191,135
Revaluation in previous years (additions)	0	0	10,945	0	0	10,945
Revaluation 31 October 2016	0	0	10,945	0	0	10,945
Depreciation/amortisation at 1 November 2015	-7,773	-31,356	-23,740	-57,916	0	-120,785
Depreciation/amortisation of assets sold	0	0	0	5,374	0	5,374
Depreciation/amortisation for the year	-363	-2,412	-1,841	-7,330	0	-11,946
Depreciation/amortisation at 31 October 2016	-8,136	-33,768	-25,581	-59,872	0	-127,357
Carrying amount at 31 October 2016	551	2,412	49,652	21,476	632	74,723
Carrying amount at 1 November 2015	339	4,824	51,370	20,141	59	76,733

DKK'000	Parent company
	Goodwill
Cost at 1 November 2015	36,180
Cost at 31 October 2016	36,180
Depreciation/amortisation at 1 November 2015	31,356
Depreciation/amortisation for the year	2,412
Depreciation/amortisation at 31 October 2016	33,768
Carrying amount at 31 October 2016	2,412
Carrying amount at 31 October 2015	4,824

Goodwill is amortised on a straight-line basis over 15 years, so that the amortisation corresponds with the earnings expected to derive from goodwill. Goodwill relates to trademarks and rights with a long useful life.

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10 Shares in subsidiaries, etc.

DKK'000	Parent company	
	2015/16	2014/15
Cost at 1 November	53,330	53,330
Cost at 31 October	53,330	53,330
Revaluation at 1 November	67,662	71,798
Foreign exchange adjustments of the subsidiaries' opening values	-581	224
Adjustment of financial instruments	445	480
Share of profit in subsidiaries after tax	22,216	25,160
Dividends paid	-20,000	-30,000
Revaluation at 31 October	69,742	67,662
Carrying amount at 31 October	123,072	120,992

Name and registered office	Stake	Share capital	Equity	Share of	Carrying
				profit for the	amount
				DKK'000	DKK'000
Silhorko-Eurowater A/S, Denmark	100%	3,000	123,452	22,596	123,452

DKK'000	Consolidated	
	2016	2015
11 Contract work in progress		
Selling price of work performed	21,516	36,677
Progress billings	-19,712	-33,795
	1,804	2,882
recognised as follows:		
Construction contracts (assets)	2,210	2,919
Construction contracts (liabilities)	-406	-37
	1,804	2,882

12 Share capital

The share capital comprises shares of DKK 100 each. The shares are not divided into classes. The share capital has not been subject to any changes for the past five years.

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DKK'000	2015/16	2014/15
13 Non-controlling interests, consolidated		
Non-controlling interests at 1 November	2,069	1,771
Additions	0	304
Disposals	0	-698
Adjustment, share in subsidiary	-203	-14
Share of profit for the year	289	706
	<u>2,155</u>	<u>2,069</u>
14 Non-current liabilities other than provisions, consolidated		
Mortgage debt falling due later than 31 October 2021 is specified as follows:		
Silhorko-Eurowater A/S	8,098	9,480
Armacoat A/S	5,013	5,660
	<u>13,111</u>	<u>15,140</u>

Non-current liabilities other than provisions, parent company

No mortgage debt falls due later than 31 October 2021.

15 Contingent liabilities, other financial commitments and collateral
Collateral

The Company has provided no collateral.

Group

Normal performance bonds have been provided in connection with the sale of plant.

The Group has entered into operating leases with a residual liability of DKK 676 thousand, which falls due within five years.

The Company is jointly taxed with the other Danish companies in the Eurowater Group. As a wholly-owned subsidiary, the Company has, together with the jointly taxed companies, joint and several liability for Danish company taxes and withholding taxes on dividends, interest and royalties within the joint taxation unit. Any subsequent corrections of the joint taxation income and withholding tax, etc. may entail an increased liability for the Company.

Collateral

The following assets have been provided as collateral vis-à-vis the Group's banks:

Owner's mortgages, DKK 44,476 thousand, secured on the Group's properties with a carrying amount of DKK 49,652 thousand.

16 Related parties

The Company's other related parties comprise subsidiaries and other group enterprises in which Eurowater Holding A/S and Silhorko-Eurowater A/S hold shares and the companies' Boards of Directors and Executive Boards and their family members. Further, related parties comprise companies in which the above persons have substantial interests.