Copenhagen Group A/S

Sankt Annæ Plads 11, 1., 1250 København K

Company reg. no. 28 69 89 41

Annual report

1 January - 31 December 2016

The annual report has been submitted and approved by the general meeting on the 4 May 2017.

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Casper Moltke-Leth
Chairman of the meeting

Contents

Notes:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

The board of directors and the managing director have today presented the annual report of Copenhagen Group A/S for the financial year 1 January to 31 December 2016.

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

We consider the accounting policies used appropriate, and in our opinion, the consolidated annual accounts and the annual accounts provide a true and fair view of the assets, the liabilities and the financial position, consolidated and for the company respectively as on 31 December 2016, and of the results of the activities and cash flows, consolidated and of the company respectively in the financial year 1 January to 31 December 2016.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Copenhagen, 20 April 2017

Managing Director

Jeppe Handwerk

Board of directors

Casper Moltke-Leth	Jeppe Handwerk	Meta Birgitte Zachau Handwerk

To the shareholders of Copenhagen Group A/S

Opinion

We have audited the consolidated annual accounts and the annual accounts of Copenhagen Group A/S for the financial year 1 January to 31 December 2016, which comprise accounting policies used, profit and loss account, balance sheet, statement of changes in equity, cash flow statement and notes, consolidated and for the company respectively. The consolidated annual accounts and the annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated annual accounts and the annual accounts give a true and fair view of the assets, liabilities and financial position, consolidated and for the company respectively at 31 December 2016 and of the results of the company's operations and cash flows, consolidated and for the company respectively for the financial year 1 January to 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section “Auditor’s responsibilities for the audit of the consolidated annual accounts and the annual accounts”. We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibilities for the consolidated annual accounts and the annual accounts

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

In preparing the consolidated annual accounts and the annual accounts, the management is responsible for evaluating the group’s and the company’s ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the consolidated annual accounts and the annual accounts, unless the management either intends to liquidate the group or the company or to cease operations, or if it has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the consolidated annual accounts and the annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts and the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the consolidated annual accounts and the annual accounts

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated annual accounts and the annual accounts, whether due to fraud or error, design and perform audit procedures in response 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the 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 group's and the company's internal control.

- Evaluate the appropriateness of accounting policies used by the management and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's preparation of the consolidated annual accounts and the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about the group's and 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 consolidated annual accounts and the annual accounts 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 group and the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the consolidated annual accounts and the annual accounts, including the disclosures in the notes, and whether the consolidated annual accounts and the annual accounts reflect the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or the business activities within the group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 the internal control that we identify during our audit.

Statement on the management's review

The management is responsible for the management's review.

Our opinion on the consolidated annual accounts and the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

In connection with our audit of the consolidated annual accounts and the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the consolidated annual accounts and the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that the management's review is in accordance with the consolidated annual accounts or the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Copenhagen, 20 April 2017

Christensen Kjærulff
Statsautoriseret Revisionsaktieselskab
Company reg. no. 15 91 56 41

Elan Schapiro
State Authorised Public Accountant

The company	Copenhagen Group A/S Sankt Annæ Plads 11, 1. 1250 København K	
	Company reg. no.	28 69 89 41
	Established:	10 May 2005
	Domicile:	Copenhagen
	Financial year:	1 January - 31 December
Board of directors	Casper Moltke-Leth Jeppe Handwerk Meta Birgitte Zachau Handwerk	
Managing Director	Jeppe Handwerk	
Auditors	Christensen Kjærulff Statsautoriseret Revisionsaktieselskab Store Kongensgade 68 1264 København K	
Parent company	Handwerk Holding A/S	
Subsidiaries	Copenhagen Contractors A/S, Copenhagen Copenhagen Election A/S, Copenhagen Copenhagen Global A/S, Copenhagen Copenhagen Artic A/S, Copenhagen Copenhagen Contractors Int. Ltd., Jordan Copenhagen Contractors Int. Ltd., Kuwait	

DKK in thousands.	2016	2015	2014	2013	2012
Profit and loss account:					
Net turnover	212.314	216.777	239.102	132.571	184.838
Gross profit	36.965	27.413	49.421	47.373	73.288
Results from operating activities	9.798	2.920	14.614	5.456	11.977
Net financials	-2.834	1.071	-135	-4.447	-7.014
Results for the year	5.366	3.741	11.408	2.049	4.881
Balance sheet:					
Balance sheet sum	38.510	78.331	71.971	47.016	48.462
Investments in tangible fixed assets represent	4.932	4.334	2.155	3.644	7.120
Equity	9.153	15.282	18.333	12.320	10.357
Cash flow:					
Operating activities	15.459	-10.014	24.466	8.068	38.895
Investment activities	-3.975	-1.443	-1.683	-2.364	-321
Financing activities	-13.207	-5.272	-3.664	-10.571	-33.741
Cash flow in total	-1.723	-16.729	19.119	-4.867	4.833
Employees:					
Average number of full time employees	45	54	85	88	134
Key figures in %:					
Gross margin	17,4	12,6	20,7	35,7	39,6
Profit margin	4,6	1,3	6,1	4,1	6,5
Solvency ratio	23,8	19,5	25,5	26,2	21,4
Return on equity	44,9	22,5	74,4	18,1	-

*) The key figures have been laid out in accordance with the publication "Anbefalinger & Nøgletal 2015" ("Recommendations & Key Figures 2015") published by the CFA Society Denmark.

The Principal Activities of the Group

Copenhagen Group manages projects and contracts awarded through direct tendering for the supply of products and services to international organisations, national governments and agencies.

Copenhagen Group's business model is based on recognising and realising opportunities in the difficult – be it urgent or long-term requirements for humanitarians missions worldwide or critical infrastructure support to deployed international forces in conflict or post-conflict countries and/or regions.

Copenhagen Group has five core businesses:

- Copenhagen Contractors: Facility Management, Construction and Unmanned Aerial Systems
- Copenhagen Global: Vehicle and Boat Fleet Management Solutions
- Copenhagen Election: Electoral Support Products
- Copenhagen Arctic: Camp Services in Greenland (Joint Venture)
- HDD: Horizontal Directional Drilling Services

Copenhagen Group has offices in Denmark and Kuwait.

Copenhagen Group currently employs 45 people on a permanent contract basis but makes extensive use of project-based employments to fit the scale and scope of work undertaken for customers.

Copenhagen Group is solely owned by Handwerk Holding A/S, a family owned company.

Annual Review

"End of an Era, Beginning of a New"

Year 2016 marked the ending of our, Copenhagen Contractors, support to the armed forces in Afghanistan as we had to handover our forensic facility at Kandahar Airfield, operating under the auspices of NATO, to the US Army.

Despite a scaled down set-up in Afghanistan, following demobilisation of troops and handover of various facilities to the US Army, our consolidated revenue for Copenhagen Group was at par with the previous year, namely DKK 212 million. This is primarily due to the continued and strong growth of Copenhagen Global, which supplies vehicles, boats, spare parts and after sales services to international organisations and national governments under long-term agreements. During the past three years, Copenhagen Global has grown from a company specialising in armoured vehicles and heavy duty trucks to a company that offers the entire palette of products from CNH Industrial – from engines to fire trucks – and various special purpose boats and related equipment from reputable global manufacturers.

Support to national and international forces on training exercises has also proven both successful and profitable this past year. Copenhagen Contractors undertook wash-down and disinfection of 500+ combat vehicles and tanks within just 10 days for the Danish Defence in connection with the White Sword Exercise in Lithuania in June 2016.

Irrespective of few and small deliveries of electoral materials this past year, 2016 marked a milestone for Copenhagen Election as we managed to obtain a long-term agreement for the supply of indelible ink products to an international organisation supporting elections worldwide. This agreement is in addition to our existing long-term agreement for the supply of ballot boxes and plastic security seals.

Having spent close to two years and a vast amount of money in pursuing the contract for the operation and maintenance of the Thule Air Base in Greenland for the US Air Force in the US court system, the court case was finally settled in June 2016 by the United States Court of Appeals for the Federal Circuit. Unfortunately, Copenhagen Arctic lost the case with the Court of Appeals despite winning it a year prior with the United States Court of Federal Claims.

Due to poor performance of our Horizontal Directional Drilling business in Jordan, we decided to liquidate the company and only focus on our operations in Kuwait going forward. The latter continues to generate modest, yet satisfactory revenue

Financial Development

In 2016, revenue decreased by 2.1% from DKK 217 million to DKK 212 million. The decrease in revenue is a result of a lower activity level in Afghanistan and fewer elections worldwide funded by international organisations in 2016 compared to 2015.

In 2016, revenue from Danish customers represented 7.5% of total revenue. We expect this share to increase in the coming years with the addition of new contracts for the Danish Defence, among other.

Revenue per legal business entity:

Copenhagen Contractors: 6.9%
Copenhagen Global: 86.1%
Copenhagen Election: 1.8%
Copenhagen Arctic: 0%
HHD: 5.2%

Gross profit increased by 35% to DKK 37 million from DKK 27 million. This higher gross profit was a result of increased sales of vehicles, equipment and wash-down services during the past year compared to the year before

Operating profit increased by 236% to DKK 9.8 million, constituting a profit margin of 4.6%. The increase in operating profit was lower than gross profit due to an increase in depreciations, from DKK 2.9 million to DKK 4.7 million, following a write-down of wash-down racks procured for wash-down services provided in Lithuania for the Danish Defence and an increase in financial costs to DKK 2.8 million due to non-favourable fluctuations in the USD exchange rate for our USD debt obligations.

Total balance was reduced by 51% to DKK 38.5 million from DKK 78.3 million. The unusual high number in both year 2015 and 2014 was due to large orders for vehicles placed by our customers at the very end of the annual year, resulting in an inflated balance sheet at year end for Copenhagen Global and thereby also Copenhagen Group.

Cash and inventory management were both improved in 2016. Networking capital was reduced by 26% from DKK 23 million to DKK 17 million. Similarly, inventories were reduced by 37.5% from DKK 13.8 million to DKK 8.6 million.

With a net profit of DKK 5.4 million for 2016, total equity ultimo 2016 amounts to DKK 9.2 million and translates into an equity share of 24%, which is an improvement from 19.5% last year, despite an extraordinary dividend of DKK 7 million paid out to shareholders during 2016. Due to this extraordinary dividend, no ordinary dividend is paid out to shareholders for the fiscal year 2016.

Expectations for the Future

2016 marked the end of an era, but the beginning of a new for Copenhagen Group, as we now need to reinvent Copenhagen Contractors and refocus our energy and resources towards new products, markets and customers.

Supporting international organisations and national governmental bodies worldwide with products and services from cradle to grave remains our core business focus, but during the coming year we will rewrite the overall strategy for our company, denoted “Copenhagen Group 4.0”.

During 2016 we invested heavily in Copenhagen Global by employing additional staff and expanding our in-house skills set. Providing high-quality after sales services is a cornerstone of our business model for Copenhagen Global. We go where others are unable to in order to best support our customers – from Somalia in the south to Iraq in the East.

With the addition of new staff with the required expertise and experience from the maritime sector coupled with our strong and long-standing partnerships with manufacturers of boats and related equipment, we expect the boat segment to constitute a growing share of our revenue in the years to come. Our aim is to be the leading supplier of special purpose boats – from search-and-rescue to combat boats – to both governmental and commercial entities in the Nordics.

To further expand our partnership with CNH Industrial, we entered into an agreement with FPT Industrial, which is a leading manufacturer and seller of powertrains (engines and generators) for industrial vehicles and boats. Becoming a distributor for FPT industrial for Denmark and Greenland has been a long-term goal for us and we are thrilled to include engines and generators to our list of products for both our vehicles and boats.

Utilising new technology for various purposes is important to us, which is why we have teamed up with Textron Systems to provide unmanned aerial systems capabilities to customers worldwide. Textron Systems offers reliable and high-quality unmanned aerial vehicles – be it for military, civil or commercial purposes.

Given the current political climate with geopolitical tensions, particular between the Western World and Russia, we expect heighten military presence in the Baltic countries by NATO forces. Copenhagen Contractors will spearhead our entry into these countries by offering support (products and services) to national and international armed forces operating on the border to Russia.

Given that the procurement of electoral materials has been decentralised during the past few years, it requires a slightly new marketing model to sell our products for national elections. To support this new reality, initiatives to proactively market and sell our electoral materials directly to national election commissions are under way.

Risk Management

Proper management of risks is extremely important to us, since our corporate set-up and customer database do not lend us much room for manoeuvring with respect to social acceptability and financial credibility.

Before bidding for a new potential contract we conduct an internal assessment of the customer and scope of work to ensure it meets our obligations to UN Global Compact to which we are a long-standing signatory.

Our suppliers undergo same level of scrutiny, in particular with respect to ISO 9001 on quality, ISO 14001 on environment and OHSAS 18001 on occupational health and safety.

To hedge our financial risks, we aim to quote customers in the same currency as that quoted to us by our suppliers. Our business transactions are, for the most part, also restricted to DKK, EUR and USD; hence, the biggest risk relates to fluctuations in the USD exchange rate towards EUR and DKK.

The vast majority of our contracts are with stable national governments and reputable international organisations; hence, a loss on debtors or a long delay in payments by a customer is rarely a problem for us.

Employees

Dedicated and motivated employees are paramount to the success of our company.

Offering employees the chance to further develop their skills set and taking on new responsibilities is important to us.

Our employees are also strongly encouraged to propose new products and services to market and ideas on how to further improve our internal processes.

Each year, all of our employees are asked to participate in the employee satisfaction survey with the aim to improve employee engagement, satisfaction, work processes, and management practices.

Corporate Responsibility

We publish an independent Communication on Progress (COP) disclosing our corporate responsibility polices, key actions and performance.

Throughout all aspects of our operations – from tendering to buy-back and disposal of products – we are committed to conduct our business in a responsible and lawful manner with respect for the wider economic, social and environmental impacts of our activities.

We strive to promote the same principles and values underlying our business in our relationships with customers, suppliers and business partners.

We are fully committed to reducing the impacts of our operations and business activities on the environment through the mitigation of natural resource depletion and pollution.

We respect internationally recognised human rights and work to ensure that we do not contribute to human rights violations as a result of our global business activities.

As a major supplier of products and services to various UN agencies, the UN's Sustainable Development Goals (SDGs) are very important to us and we do our best to contribute to the fulfilment of the SDGs most relevant to our businesses.

Of the 17 SDGs established and agreed upon globally, we currently aim to help fulfil the following SDGs through our business conduct:

- Goal # 2: Zero Hunger
- Goal # 5: Gender Equality
- Goal #14: Life Below Water
- Goal # 15: Life On Land
- Goal # 16: Peace, Justice and Strong Institutions

Events Subsequent to the End of the Fiscal Year

No events have occurred subsequent to the end of the fiscal year 2016, which could be of significant detriment to the Copenhagen Group's financial position.

Profit and loss account 1 January - 31 December

All amounts in DKK.

Note		Group 2016	Group 2015	Parent enterprise 2016	Parent enterprise 2015
	Net turnover	212.314.054	216.776.769	14.316.200	15.533.894
	Raw materials and consumables used	-165.813.699	-176.829.840	-497.021	-773.252
	Other external costs	-9.535.313	-12.534.239	-6.481.812	-5.820.489
	Gross results	**36.965.042**	**27.412.690**	**7.337.367**	**8.940.153**
1	Staff costs	-22.421.842	-21.568.095	-9.651.229	-8.796.372
2	Depreciation, amortisation and writedown relating to tangible and intangible fixed assets	-4.745.246	-2.925.017	-199.522	-358.831
	Operating profit	**9.797.954**	**2.919.578**	**-2.513.384**	**-215.050**
3	Income from equity investments in group enterprises	0	0	8.259.425	2.818.625
	Other financial income	374	2.271.740	1.478.021	3.805.930
4	Other financial costs	-2.833.935	-1.201.003	-2.198.899	-2.408.673
	Results before tax	**6.964.393**	**3.990.315**	**5.025.163**	**4.000.832**
5	Tax on ordinary results	-1.598.620	-249.705	410.006	234.886
6	**Results for the year**	**5.365.773**	**3.740.610**	**5.435.169**	**4.235.718**
	The Group result is distributed as follows:				
	Shareholders in Copenhagen Group A/S	5.435.169	4.235.718		
	Minority interests	-69.396	-495.108		
		5.365.773	**3.740.610**		

Balance sheet 31 December

All amounts in DKK.

Assets

Note		Group 2016	Group 2015	Parent enterprise 2016	Parent enterprise 2015
	Fixed assets				
7	Intellectual property	135.730	412.269	36.945	205.721
	Intangible fixed assets in total	135.730	412.269	36.945	205.721
8	Land and property	1.748.078	1.773.410	1.748.078	1.773.410
9	Other plants, operating assets, and fixtures and furniture	4.279.829	4.758.352	57.446	0
	Tangible fixed assets in total	6.027.907	6.531.762	1.805.524	1.773.410
10	Equity investments in group enterprises	0	0	15.138.033	28.373.410
11	Deposits	679.605	664.287	539.406	526.250
	Financial fixed assets in total	679.605	664.287	15.677.439	28.899.660
	Fixed assets in total	**6.843.242**	**7.608.318**	**17.519.908**	**30.878.791**
	Current assets				
	Raw materials and consumables	2.192.826	1.592.513	0	0
	Work in progress	1.592.677	677.283	0	0
	Manufactured goods and trade goods	534.084	3.101.442	0	0
	Prepayments for goods	4.314.141	8.450.686	0	0
	Inventories in total	8.633.728	13.821.924	0	0
	Trade debtors	17.868.020	46.790.670	20.017	10.700
12	Work in progress for the account of others	1.751.310	0	0	0
	Amounts owed by group enterprises	233.586	3.165.279	15.068.622	15.635.062
13	Deferred tax assets	1.619.738	2.970.000	397.458	1.318.855
	Receivable corporate tax	0	0	1.331.403	0
	Other debtors	382.987	1.020.496	2.677	0
14	Accrued income and deferred expenses	63.094	117.004	37.672	116.647
	Debtors in total	21.918.735	54.063.449	16.857.849	17.081.264
	Available funds	1.114.431	2.837.766	174.034	184.252
	Current assets in total	**31.666.894**	**70.723.139**	**17.031.883**	**17.265.516**
	Assets in total	**38.510.136**	**78.331.457**	**34.551.791**	**48.144.307**

Balance sheet 31 December

All amounts in DKK.

Equity and liabilities

Note		Group 2016	Group 2015	Parent enterprise 2016	Parent enterprise 2015
	Equity				
	Contributed capital	3.000.000	3.000.000	3.000.000	3.000.000
	Results brought forward	5.913.167	7.472.799	5.913.161	7.472.794
	Proposed dividend for the financial year	0	4.500.000	0	4.500.000
	Equity before non-controlling interest.	8.913.167	14.972.799	8.913.161	14.972.794
	Minority interests	239.979	309.375	0	0
	Equity in total	**9.153.146**	**15.282.174**	**8.913.161**	**14.972.794**
	Provisions				
15	Other provisions	100.762	173.387	0	0
	Provisions in total	**100.762**	**173.387**	**0**	**0**
	Liabilities				
16	Mortgage debt	1.095.141	1.140.583	1.095.141	1.140.583
17	Bank debts	2.190.654	4.418.621	2.190.654	4.418.621
18	Other debts	988.471	0	0	0
	Long-term liabilities in total	4.274.266	5.559.204	3.285.795	5.559.204
	Short-term part of long-term liabilities	2.249.000	2.095.000	2.249.000	2.095.000
	Bank debts	10.379.466	12.898.905	6.435.717	3.479.805
	Prepayments received from customers	45.000	43.903	45.000	43.903
	Trade creditors	9.428.674	38.225.557	625.378	786.021
	Debt to group enterprises	0	0	11.480.582	19.564.433
	Corporate tax	94.998	41.690	0	0
	Other debts	2.784.824	4.011.637	1.517.158	1.643.147
	Short-term liabilities in total	24.981.962	57.316.692	22.352.835	27.612.309
	Liabilities in total	**29.256.228**	**62.875.896**	**25.638.630**	**33.171.513**
	Equity and liabilities in total	**38.510.136**	**78.331.457**	**34.551.791**	**48.144.307**

19 Mortgage and securities

20 Contingencies

Consolidated statement of changes in equity

All amounts in DKK.

	Contributed capital	Results brought forward	Proposed dividend for the financial year	Minority interests	In total
Equity 1 January 2015	3.000.000	8.332.687	7.000.000	54.456	18.387.143
Distributed dividend	0	0	-7.000.000	0	-7.000.000
Profit or loss for the year brought forward	0	-264.277	4.500.000	254.919	4.490.642
Currency translation	0	-595.611	0	0	-595.611
Equity 1 January 2016	3.000.000	7.472.799	4.500.000	309.375	15.282.174
Distributed dividend	0	0	-4.500.000	0	-4.500.000
Profit or loss for the year brought forward	0	5.435.170	0	-69.396	5.365.774
Extraordinary dividend adopted during the financial year	0	-7.000.000	0	0	-7.000.000
Currency translation	0	5.198	0	0	5.198
	3.000.000	**5.913.167**	**0**	**239.979**	**9.153.146**

Statement of changes in equity of the parent enterprise

All amounts in DKK.

	Contributed capital	Results brought forward	Proposed dividend for the financial year	In total
Equity 1 January 2015	3.000.000	8.332.687	7.000.000	18.332.687
Distributed dividend	0	0	-7.000.000	-7.000.000
Profit or loss for the year brought forward	0	-264.282	4.500.000	4.235.718
Currency translation	0	-595.611	0	-595.611
Equity 1 January 2016	3.000.000	7.472.794	4.500.000	14.972.794
Distributed dividend	0	0	-4.500.000	-4.500.000
Profit or loss for the year brought forward	0	-1.564.831	0	-1.564.831
Extraordinary dividend adopted during the financial year	0	7.000.000	0	7.000.000
Distributed extraordinary dividend adopted during the financial year.	0	-7.000.000	0	-7.000.000
Currency translation	0	5.198	0	5.198
	3.000.000	**5.913.161**	**0**	**8.913.161**

Cash flow statement 1 January - 31 December

All amounts in DKK.

Note		Group 2016	Group 2015	Parent enterprise 2016	Parent enterprise 2015
	Results for the year	5.365.773	3.740.610	5.435.169	4.235.718
21	Adjustments	9.177.427	2.103.985	-7.749.032	-4.091.937
22	Change in working capital	3.944.205	-16.392.188	-218.556	213.590
	Cash flow from operating activities before net financials	18.487.405	-10.547.593	-2.532.419	357.371
	Interest received and similar amounts	374	2.271.743	1.478.023	3.805.930
	Interest paid and similar amounts	-2.833.935	-1.201.003	-2.198.899	-2.408.673
	Cash flow from ordinary activities	15.653.844	-9.476.853	-3.253.295	1.754.628
	Corporate tax paid	-195.050	-537.016	0	0
	Cash flow from operating activities	**15.458.794**	**-10.013.869**	**-3.253.295**	**1.754.628**
	Purchase of tangible fixed assets	-4.932.338	-4.333.769	-62.858	0
	Sale of tangible fixed assets	1.030.861	3.850.280	0	0
	Purchase of financial fixed assets	-13.156	15.353	-2.513.156	-11.872.294
	Dividends received	0	0	24.000.000	30.000.000
	Currency translation	-60.338	-975.077	0	0
	Cash flow from investment activities	**-3.974.971**	**-1.443.213**	**21.423.986**	**18.127.706**
	Repayments of long-term debt	-4.638.849	3.448.237	836.502	-527.755
	Dividend paid	-11.500.000	-7.000.000	-11.500.000	-7.000.000
	Available funds	2.931.690	-2.470.009	-7.517.411	-12.750.846
	Other cash flows from financing activities	0	750.000	0	0
	Cash flow from financing activities	**-13.207.159**	**-5.271.772**	**-18.180.909**	**-20.278.601**
	Changes in available funds	**-1.723.336**	**-16.728.854**	**-10.218**	**-396.267**
	Available funds 1 January 2016	2.837.767	19.566.620	184.252	580.519
	Available funds 31 December 2016	**1.114.431**	**2.837.766**	**174.034**	**184.252**
	Available funds				
	Available funds	1.114.431	2.837.766	174.034	184.252
	Available funds 31 December 2016	**1.114.431**	**2.837.766**	**174.034**	**184.252**

All amounts in DKK.

		Group 2016	Group 2015	Parent enterprise 2016	Parent enterprise 2015
1.	**Staff costs**				
	Salaries and wages	19.172.027	18.591.139	8.264.599	7.486.965
	Other costs for social security	151.184	87.116	135.690	75.564
	Other staff costs	3.098.631	2.889.840	1.250.940	1.233.843
		22.421.842	**21.568.095**	**9.651.229**	**8.796.372**
	Executive board and board of directors	3.450.000	1.650.000	810.000	480.000
	Average number of employees	45	54	9	10
2.	**Depreciation, amortisation and writedown relating to tangible and intangible fixed assets**				
	Amortisation of intangible assets	276.540	373.171	168.777	216.288
	Depreciation on decoration of rented premises	0	117.211	0	117.211
	Depreciation on buildings	25.332	25.332	25.332	25.332
	Depreciation on plants, operating assets, fixtures and furniture	4.443.374	3.845.252	5.413	0
	Profit/loss on sale of tangible assets	0	-1.435.949	0	0
		4.745.246	**2.925.017**	**199.522**	**358.831**
3.	**Income from equity investments in group enterprises**				
	Copenhagen Contractors A/S			3.574.858	7.201.421
	Copenhagen Election A/S			-2.942.598	-1.691.544
	Copenhagen Global A/S			9.736.092	4.209.455
	Copenhagen Arctic A/S			-161.935	-1.155.252
	Copenhagen Contractors Ltd. Kuwait			-746.360	-865.830
	Copenhagen Contractors Ltd. Jordan			-1.200.632	-4.879.625
				8.259.425	**2.818.625**
4.	**Other financial costs**				
	Financial costs, group enterprises	0	0	1.491.038	1.628.319
	Other financial costs	2.833.935	1.201.003	707.861	780.354
		2.833.935	**1.201.003**	**2.198.899**	**2.408.673**

All amounts in DKK.

		Group 2016	Group 2015	Parent enterprise 2016	Parent enterprise 2015
5.	**Tax on ordinary results**				
	Tax of the results for the year, parent company	248.358	537.016	-1.331.403	0
	Adjustment for the year of deferred tax	1.350.262	-12.580	921.397	336.020
	Write-down of deferred tax asset	0	-274.731	0	-570.906
		1.598.620	**249.705**	**-410.006**	**-234.886**

				Parent enterprise 2016	Parent enterprise 2015
6.	**Proposed distribution of the results**				
	Extraordinary dividend adopted during the financial year			7.000.000	0
	Dividend for the financial year			0	4.500.000
	Allocated from results brought forward			-1.564.831	-264.282
	Distribution in total			**5.435.169**	**4.235.718**

		Group 2016	Group 2015	Parent enterprise 2016	Parent enterprise 2015
7.	**Intellectual property**				
	Cost 1 January 2016	2.148.315	2.148.315	1.542.997	1.542.997
	Cost 31 December 2016	**2.148.315**	**2.148.315**	**1.542.997**	**1.542.997**
	Amortisation and writedown 1 January 2016	-1.736.046	-1.362.875	-1.337.276	-1.120.988
	Amortisation for the year	-276.539	-373.171	-168.776	-216.288
	Amortisation and writedown 31 December 2016	**-2.012.585**	**-1.736.046**	**-1.506.052**	**-1.337.276**
	Book value 31 December 2016	**135.730**	**412.269**	**36.945**	**205.721**

All amounts in DKK.

		Group		Parent enterprise	
		31/12 2016	31/12 2015	31/12 2016	31/12 2015
8.	**Land and property**				
	Cost 1 January 2016	10.965.179	10.965.179	1.900.000	1.900.000
	Cost 31 December 2016	**10.965.179**	**10.965.179**	**1.900.000**	**1.900.000**
	Depreciation and writedown 1 January 2016	-9.191.769	-9.166.437	-126.590	-101.258
	Depreciation for the year	-25.332	-25.332	-25.332	-25.332
	Depreciation and writedown 31 December 2016	**-9.217.101**	**-9.191.769**	**-151.922**	**-126.590**
	Book value 31 December 2016	**1.748.078**	**1.773.410**	**1.748.078**	**1.773.410**
9.	**Other plants, operating assets, and fixtures and furniture**				
	Cost 1 January 2016	35.332.107	39.819.172	2.108.609	2.108.608
	Translation by use of the exchange rate valid on balance sheet date 31 December 2016	561.955	1.465.484	0	0
	Additions during the year	4.932.338	4.333.769	62.858	0
	Disposals during the year	-11.384.808	-10.286.318	0	0
	Cost 31 December 2016	**29.441.592**	**35.332.107**	**2.171.467**	**2.108.608**
	Amortisation and writedown 1 January 2016	-30.573.754	-33.397.262	-2.108.608	-1.991.397
	Translation by use of the exchange rate valid on balance sheet date 31 December 2016	-457.355	-1.086.304	0	0
	Depreciation for the year	-4.483.188	-3.962.486	-5.413	-117.211
	Reversal of depreciation, amortisation and writedown, assets disposed of	10.352.534	7.872.297	0	0
	Amortisation and writedown 31 December 2016	**-25.161.763**	**-30.573.755**	**-2.114.021**	**-2.108.608**
	Book value 31 December 2016	**4.279.829**	**4.758.352**	**57.446**	**0**

All amounts in DKK.

		Parent enterprise 31/12 2016	Parent enterprise 31/12 2015
10.	**Equity investments in group enterprises**		
	Acquisition sum, opening balance 1 January 2016	60.351.579	48.492.120
	Additions during the year	2.500.000	11.859.459
	Disposals during the year	-14.000.000	0
	Cost 31 December 2016	**48.851.579**	**60.351.579**
	Revaluations, opening balance 1 January 2016	-31.978.169	-4.201.183
	Translation by use of the exchange rate valid on b	5.198	-595.611
	Results for the year before goodwill amortisation	8.259.425	2.818.625
	Dividend	-10.000.000	-30.000.000
	Revaluation 31 December 2016	**-33.713.546**	**-31.978.169**
	Book value 31 December 2016	**15.138.033**	**28.373.410**

Group enterprises:

Group enterprises	**Domicile**	**Share of ownership**
Copenhagen Contractors A/S	Copenhagen	100 %
Copenhagen Election A/S	Copenhagen	100 %
Copenhagen Global A/S	Copenhagen	100 %
Copenhagen Artic A/S	Copenhagen	70 %
Copenhagen Contractors Int. Ltd.	Jordan	100 %
Copenhagen Contractors Int. Ltd.	Kuwait	100 %

		Group 31/12 2016	Group 31/12 2015	Parent enterprise 31/12 2016	Parent enterprise 31/12 2015
11.	**Deposits**				
	Cost 1 January 2016	666.449	651.452	526.250	513.415
	Additions during the year	13.156	12.835	13.156	12.835
	Cost 31 December 2016	**679.605**	**664.287**	**539.406**	**526.250**
	Book value 31 December 2016	**679.605**	**664.287**	**539.406**	**526.250**

All amounts in DKK.

		Group 31/12 2016	Group 31/12 2015	Parent enterprise 31/12 2016	Parent enterprise 31/12 2015
12.	**Work in progress for the account of others**				
	Sales value of the production of the period	1.751.310	0	0	0
	Work in progress for the account of others, net	**1.751.310**	**0**	**0**	**0**
13.	**Deferred tax assets**				
	Deferred tax assets 1 January 2016	2.970.000	2.640.999	1.318.855	1.083.969
	Adjustments	-1.350.262	54.270	-921.397	-336.020
	Reversed write-downs	0	274.731	0	570.906
		1.619.738	**2.970.000**	**397.458**	**1.318.855**
	The following items are subject to deferred tax:				
	Losses brought forward from previous years	1.619.738	2.970.000	397.458	1.318.855
		1.619.738	**2.970.000**	**397.458**	**1.318.855**

14. Accrued income and deferred expenses

Accruals consist of prepaid expenses related to the next fiscal year.

		Group 31/12 2016	Group 31/12 2015	Parent enterprise 31/12 2016	Parent enterprise 31/12 2015
15.	**Other provisions**				
	Other provisions 1 January 2016	173.387	130.529	0	0
	Change of the year in other provisions	-72.625	42.858	0	0
		100.762	**173.387**	**0**	**0**
16.	**Mortgage debt**				
	Mortgage debt in total	1.140.141	1.185.583	1.140.141	1.185.583
	Share of amount due within 1 year	-45.000	-45.000	-45.000	-45.000
		1.095.141	**1.140.583**	**1.095.141**	**1.140.583**
	Share of liabilities due after 5 years	915.000	958.000	915.000	958.000

All amounts in DKK.

		Group 31/12 2016	Group 31/12 2015	Parent enterprise 31/12 2016	Parent enterprise 31/12 2015
17.	**Bank debts**				
	Bank debts in total	4.394.654	6.468.621	4.394.654	6.468.621
	Share of amount due within 1 year	-2.204.000	-2.050.000	-2.204.000	-2.050.000
		2.190.654	**4.418.621**	**2.190.654**	**4.418.621**
	Share of liabilities due after 5 years	0	0	0	0
18.	**Other debts**				
	Other debts in total	**988.471**	**0**	**0**	**0**
	Share of liabilities due after 5 years	0	0	0	0

19. Mortgage and securities

As security for mortgage debts, tDKK 1.140, mortgage has been granted on land and buildings representing a book value of tDKK 1.748 at 31 December 2016

For bank debts, tDKK 14.774, the company has provided security in company assets representing a nominal value of tDKK 18.500. This security comprises the below assets, stating the book values:

Inventories	tDKK 8.634
Receivable from sales and services	tDKK 17.868
Other plants	tDKK 4.280

20. Contingencies

Contingent assets

Copenhagen Group A/S has a negative basis for tax calculation of tDKK 8.766, which represents a tax value of tDKK 1.929 at the 2016 Danish corporate tax rate 22%. This basis stems from past losses as well as postponed tax depreciations and tax amortizations. This deferred ta asset i booked with a value of tDKK 397, which is the minimum value that is expected to be realized within the next three fiscal years profit.

Contingent liabilities

Recourse guarantee commitments

The company has provided guarantees for the bank debts of the group enterprises. On 31 December 2016 the total bank debts of the group enterprises were DKK 14.774.

All amounts in DKK.

. **Contingencies (continued)**

Joint taxation

Handwerk Holding A/S, company reg. no 33055889 being the administration company, the company is subject to the Danish scheme of joint taxation and unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

The company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

Any subsequent adjustments of corporate taxes or withheld taxes etc. may cause changes in the company's liabilities.

		Group		Parent enterprise	
		2016	2015	2016	2015
21.	**Adjustments**				
	Depreciation and amortisation	4.745.246	2.925.017	199.521	358.831
	Income from equity investments in group enterprises	0	0	-8.259.425	-2.818.625
	Other financial income	-374	-2.271.740	-1.478.021	-3.805.930
	Other financial costs	2.833.935	1.201.003	2.198.899	2.408.673
	Tax on ordinary results	1.598.620	249.705	-410.006	-234.886
		9.177.427	**2.103.985**	**-7.749.032**	**-4.091.937**

		Group		Parent enterprise	
		2016	2015	2016	2015
22.	**Change in working capital**				
	Change in inventories	5.188.197	-9.993.169	0	0
	Change in debtors	27.862.761	-12.373.543	66.981	32.344
	Change in trade creditors and other liabilities	-29.106.753	5.974.524	-285.537	181.246
		3.944.205	**-16.392.188**	**-218.556**	**213.590**

The annual report for Copenhagen Group A/S is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class C enterprises (medium sized enterprises).

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the group is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the group is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

Certain fixed asset investments and liabilities are measured at amortised cost, by which method a fixed, effective interest is recognised during the useful life of the asset or the liability. Amortised cost is recognised as the original cost with deduction of any payments and additions/deductions of the accrued amortisation of the difference between cost and nominal amount. In this way capital losses and capital profits are spread over the useful life.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

The consolidated annual accounts

The consolidated annual accounts comprise the parent company Copenhagen Group A/S and those group enterprises of which Copenhagen Group A/S directly or indirectly owns more than 50 % of the voting rights or in other ways has controlling interest. As it appears from the group chart, enterprises of which the group owns between 20 and 50 % of the voting rights and exercises considerable, but not controlling interest are considered associated enterprises.

By the consolidation, elimination of intercompany income and costs, shareholding, intercompany balances and dividends and realised and unrealised gains and losses from transactions among the consolidated enterprises takes place.

Equity interests in group enterprises are settled by the proportional share of the group enterprises' trade value of net assets and liabilities at the date of acquisition.

Newly acquired or newly established enterprises are recognised in the consolidated annual accounts as of the date of acquisition. Disposed or terminated enterprises are recognised in the consolidated annual accounts until the date of disposal. In relation to newly acquired, disposed or terminated enterprises, comparative figures are not adjusted.

In connection with the acquisition of new enterprises, the acquisition method is applied, by which the acquirees' identifiable assets and liabilities are measured at fair value at the time of acquisition. Costs for restructuring which are recognised in the acquiree before the acquisition date and which have not been agreed upon as part of the acquisition, are recognised in the pre-acquisition balance sheet and thereby forms part of the measurement of goodwill. Restructuring decided by the acquiree is recognised in the profit and loss account. The tax effect of the revaluations carried out is taken into consideration.

Positive balances (goodwill) between cost and fair value of the acquired, identifiable assets and liabilities, including provisions for restructuring, are recognised under intangible fixed assets and in accordance with an individual evaluation allocated on a systematic basis over their useful lives in the profit and loss account. Negative balances (negative goodwill) is recognised as income in the profit and loss account at the date of acquisition when the general requirements for recognition of income are met.

Goodwill and negative goodwill from acquirees may be adjusted until 12 months after the acquisition.

Gains or losses from the disposal or termination of group enterprises or associated enterprises are recognised as the difference between the sales price or the termination sum and the book value of the net assets at the sales date and expected costs of sale or termination.

In case of business combinations such as acquisition and sale of equity investments, mergers, demergers, addition of assets and exchange of shares etc. with participation of enterprises under the control of the parent company, the merger method is applied, in which case the merger is considered implemented on the first day of the financial year, and restatement of comparative figures is made.

Minority interests

The items of the group enterprises are recognised by 100 % in the consolidated annual accounts. The minority interests' proportionate share of the profit or loss and the equity of the group enterprises are adjusted annually, and they are recognised as a separate item below the profit and loss account and as a separate item in the balance sheet respectively.

The profit and loss account

Net turnover

The net turnover is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Contract work in progress concerning construction contracts is recognised concurrently in the net turnover with the progress of the production. Thus the net turnover corresponds to the sales value of the completed productions of the year (the production method). The net turnover is recognised when the total income and costs of the contract and the scope of completion on the balance sheet date can be determined reliably, and when it is likely that the financial benefits will be received by the company.

When the results of a contract can not be determined reliably, the net turnover is only recognised on a cost basis, however, to the extent that it is probable that the costs will be recovered.

Cost of sales

Costs of sales includes costs for the purchase of raw materials and consumables less discounts and changes in inventories.

Other external costs

Other external costs comprise costs for distribution, sales, advertisement, administration, premises, loss on debtors, and operational leasing costs.

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

Interest and other costs concerning loans for financing the production of intangible and tangible fixed assets and concerning the production period are not recognised in the cost of the fixed asset.

Results from equity investments in group enterprises

After full elimination of intercompany profit or loss and deduction of amortisation of consolidated goodwill, the equity investment in the individual group enterprises are recognised in the profit and loss account at a proportional share of the group enterprises' results after tax.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The parent enterprise and the Danish group enterprises are subject to the Danish rules on compulsory joint taxation of the consolidated Danish enterprises.

The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

The balance sheet

Intangible fixed assets

Intellectual property

Aquired software and intellectual property is measured at cost price less accumulated amortization and is amortized by the straight-line method over the expected useful life estimated to three to five years.

Tangible fixed assets

Tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown. Land is not depreciated.

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

If the amortisation period or the residual value is changed, the effect on amortisation will in the future be recognised as a change in the accounting estimates.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life:

Buildings, Denmark	75	years
Technical plants and machinery	3-5	years
Other plants, operating assets, fixtures and furniture	3-5	years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or losses are recognised in the profit and loss account as other operating income or other operating expenses.

As regards assets of own production, the cost comprises direct and indirect costs for materials, components, deliveries from subsuppliers, payroll costs, and borrowing costs form specific and general borrowing concerning the construction of each individual asset.

Financial fixed assets

Equity investments in group enterprises

Equity investments in group enterprises are recognised in the balance sheet at a proportional share under the equity method, the value being calculated on the basis of the accounting policies of the parent company by the deduction or addition of unrealised intercompany profits and losses, and with the addition or deduction of residual value of positive or negative goodwill measured by applying the acquisition method.

Group enterprises and associated enterprises with negative equity are recognised without any value, and to the extent they are considered irrevocable, amounts owed by these companies are written down by the parent's share of the equity. If the negative equity exceeds the debtors, the residual amount is recognised under liability provisions to the extent the parent has a legal or actual liability to cover the negative equity of the subsidiary.

To the extent the equity exceeds the cost, the net revaluation of equity investments in group enterprises are transferred to the reserves under the equity for net revaluation as per the equity method. Dividends from group enterprises expected to be decided before the approval of this annual report are not subject to a limitation of the revaluation reserves. The reserves are adjusted by other equity movements in group enterprises.

Newly taken over or newly established companies are recognised in the annual accounts as of the time of acquisition. Sold or liquidated companies are recognised at the time of cession.

Profit or loss in connection with the sale of group enterprises are measured as the difference between the sales amount and the book value of net assets at the time of the sale, inclusive of remaining consolidated goodwill and expected costs for sale and cession. Profit and loss are recognised in the profit and loss account under net financials.

In connection with the acquisition of new group enterprises and associated enterprises, the acquisition method is applied, by which the acquirees' assets and liabilities are measured at fair value at the time of acquisition. Provisions for payment of costs for decided restructuring activities in the acquirees in relation to the acquisition are recognised. The tax effect of the revaluations carried out is taken into consideration.

Positive differences (goodwill) between cost and fair value of identifiable, acquired assets and liabilities, inclusive of liability provisions for restructuring, are recognised under equity investments in group enterprises, and they are amortised over their estimated useful life. The useful life is determined on the basis of the management's experience with the individual business areas. The amortisation period is maximum 20 years, being the longer for strategical acquirees with a strong market position and a long-range earnings potential. The book value of goodwill is evaluated currently and written down in the profit and loss account in those cases where the book value exceeds the expected future net income from the enterprise or the activity, to which the goodwill is attached.

Inventories

Inventories are measured at cost on basis of the FIFO method. In case the net realisable value of the inventories is lower than the cost, writedown takes place to this lower value.

The cost for trade goods, raw materials, and consumables comprises the acquisition cost with the addition of the delivery costs.

The cost for manufactured goods and works in progress comprises the cost for raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance of and depreciation on machinery, factory buildings and equipment applied during the production process, and costs for factory administration and factory management. Borrowing costs are not recognised in cost.

The net realisable value for inventories is recognised as the market price with deduction of completion costs and selling costs. The net realisable value is determined taking into consideration the negotiability, obsolescence, and development of the expected market price.

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Work in progress for the account of others

Contract work in progress is measured at the selling price of the work performed, however with deduction of invoicing on account and expected losses. Contract work in progress is characterised by the manufactured goods featuring a high level of individualisation in the design. Furthermore, it is a requirement that before work is commenced, a binding contract is to be been entered into, implying penalty or damages in case of subsequent cancellation.

The selling price is measured on the basis of the stage of completion on the balance sheet date and the total expected income from the individual contracts. The stage of completion is determined on the basis of an evaluation of the work performed, usually determined as the ratio of the costs incurred to the total expected cost of the contract in question.

When it is probable that the total contract costs will exceed the total contract revenue, the expected contract loss is immediately recognised as costs and provisions.

If the results of a contract can not be estimated reliably, the selling price is only recognised on a cost basis, however, to the extent that it is probable that the costs will be recovered.

Contracts for which the selling price of the work performed exceeds invoicing on account and expected losses are recognised as trade debtors. Contracts for which invoicing on account and expected losses exceed the selling price are recognised as liabilities.

Prepayments from customers are recognised under liabilities.

Costs in connection with sales work and the achievement of contracts are recognised in the profit and loss account when incurred.

Accrued income and deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

Available funds

Available funds comprise cash at bank and in hand.

Equity

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under the equity. Proposed dividend is recognised as a liability at the time of approval by the general meeting (the time of declaration).

Corporate tax and deferred tax

Current tax receivable and tax 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 previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

According to the rules of joint taxation, Copenhagen Group A/S is unlimited, jointly and severally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Other provisions

Provisions comprise expected costs for guarantee liabilities, loss on work in progress, restructuring, etc. Provisions are recognised when the group has a legal or actual liability which is due to a previous event and when it is likely that the settlement of the liability will result in expenditure of the financial resources of the group.

If the settlement of the liability is expected to take place in some remote future, provisions are measured at the net realisable value or at fair value.

Guarantee liabilities comprise liabilities for repairs within the guarantee period of 1-5 years. The provisions are measured at the net realisable value and recognised on basis of the obtained experience with guarantee work. If provisions have an expected due date later than 1 year from the balance sheet date, they are discounted at the average bond interest.

On the acquisition of enterprises, provisions for restructuring within the acquired enterprise is included in the acquisition cost, and thereby in the goodwill or the consolidated goodwill, to the extent that they have been approved and announced on the date of acquisition at the latest.

When it is likely that the total costs will exceed the total income of work in progress for the account of others, provisions are made for the total loss expected on the contract. Provisions are recognised as costs under production costs.

Liabilities

Financial liabilities related to borrowings are recognised at the received proceeds with the deduction of transaction costs incurred. In following periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value by use of the effective interest. The difference between the proceeds and the nominal value is recognised in the profit and loss account during the term of the loan.

Mortgage debt and bank debt are for instance measured at amortised cost. As to cash loans, this corresponds to the outstanding debt of the loan. For bond loans, the amortised cost corresponds to an outstanding debt calculated as the underlying cash value at the date of borrowing adjusted by amortisation of the market value adjustment on the date of the borrowing carried out over the repayment period.

Also capitalised residual leasing liabilities in connection with financial leasing contracts are recognised in the financial liabilities.

Liabilities relating to investment properties are measured at amortised cost.

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

The cash flow statement

The cash flow statement shows the cash flow of the group and the parent enterprise for the year, divided in cash flows deriving from operating activities, investment activities, and financing activities respectively, the changes in the liabilities, and the available funds at the beginning and the end of the year respectively.

The effect of cash flow deriving from purchase and sale of enterprises appears separately under cash flow from investment activities. In the cash flow statement, cash flow deriving from purchased enterprises is recognised as of the date of acquisition, and cash flow deriving from sold enterprises is recognised until the sales date.

Cash flow from operating activities

Cash flow from operating activities are calculated as the results for the year adjusted for non-cash operating items, the change in the working capital, and corporate tax paid.

Cash flow from investment activities

Cash flow from investment activities comprises payments in connection with the acquisition and sale of enterprises and activities as well as the acquisition and sale of intangible and tangible fixed assets and fixed asset investments respectively.

Cash flow from financing activities

Cash flow from financing activities comprises changes in the size or the composition of the share capital and the costs in this connection. Furthermore, these activities comprise borrowings, instalments on interestbearing debt, and payment of dividend to the shareholders.

Available funds

Available funds comprise cash funds and short-term securities with a term of less than 3 months which can easily be converted into cash funds and on which only an insignificant risk of value changes exists.

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