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# ***Alpha Offshore Service A/S***

Farvervej 1, DK-7600 Struer

## **Annual Report for 1 January - 31 December 2019**

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CVR No 30 49 33 11

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
15<sup>th</sup> 14 2020

*Mikkel Jensby Lund*  
Mikkel Jensby Lund  
Chairman of the General  
Meeting



**pwc**

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## Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Alpha Offshore Service A/S for the financial year 1 January - 31 December 2019.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Company and of the results of the Company operations and cash flows for 2019.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Struer, 15 April 2020

### Executive Board



Mikkel Jensby Lund

### Board of Directors

Stewart Andrew Allan Mitchell  
Chairman

Steven Louis Bertone

Neil Austin Johnson

Eskil Bielefeldt

  
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Chairman



Steven Louis Bertone

Neil Austin Johnson

Eskil Bielefeldt

Mikkel Jensby Lund



# Independent Auditor's Report

To the Shareholder of Alpha Offshore Service A/S

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Alpha Offshore Service A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("the Financial Statements").

## Basis for opinion

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

## Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

## Management's responsibilities for the Financial Statements

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

# Independent Auditor's Report

ment, whether due to fraud or error.

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

## **Auditor's responsibilities for the audit of the Financial Statements**

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

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

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



## Independent Auditor's Report

disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Holstebro, 15 April 2020

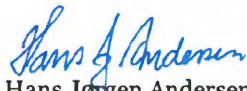
**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31



Paul Spencer Poulsen  
statsautoriseret revisor  
mne23324



Hans Jørgen Andersen  
statsautoriseret revisor  
mne30211

## Company Information

### **The Company**

Alpha Offshore Service A/S  
Farvervej 1  
DK-7600 Struer  
E-mail: mail@alphaoffshore.dk

CVR No: 30 49 33 11  
Financial period: 1 January - 31 December  
Municipality of reg. office: Struer

### **Board of Directors**

Stewart Andrew Allan Mitchell, Chairman  
Steven Louis Bertone  
Neil Austin Johnson  
Eskil Bielefeldt  
Mikkel Jensby Lund

### **Executive Board**

Mikkel Jensby Lund

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Hjaltesvej 16  
DK-7500 Holstebro

### **Bankers**

Danske Bank Business center Midtjylland  
Dalgasgade 27, 1 sal  
7400 Herning

## Financial Highlights

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

	2019	2018	2017	2016	2015
	TEUR	TEUR	TEUR	TEUR	TEUR
<b>Key figures</b>					
<b>Profit/loss</b>					
Operating profit/loss	5.024	5.765	4.216	2.792	2.632
Profit/loss before financial income and expenses	5.024	5.763	4.209	2.788	2.632
Net financials	-93	-36	-149	58	147
Net profit/loss for the year	3.844	4.465	3.160	2.217	2.125
<b>Balance sheet</b>					
Balance sheet total	17.382	13.161	9.000	7.224	5.515
Equity	13.003	10.034	7.527	4.367	3.489
<b>Cash flows</b>					
Cash flows from:					
- operating activities	2.585	4.938	2.730	519	0
- investing activities	-317	-273	-172	-126	0
including investment in property, plant and equipment	-317	-273	-172	-126	0
- financing activities	-801	-1.178	-1.106	-1.170	0
Change in cash and cash equivalents for the year	1.467	3.487	1.452	-777	0
Number of employees and contractors	167	186	123	90	52
<b>Ratios</b>					
Return on assets	28,9%	43,8%	46,8%	38,6%	47,7%
Solvency ratio	74,8%	76,2%	83,6%	60,5%	63,3%
Return on equity	33,4%	50,9%	53,1%	56,4%	68,6%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

The currency for the past years has been converted into EUR.

## Management's Review

Financial Statements of Alpha Offshore Service A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Annual Report has been prepared under the same accounting policies as last year.

### Key activities

Our key activities are the supply of Engineering Personnel and Inspection Services to the Renewable and Energy Sector, primarily the provision of Offshore and Onshore Wind Turbine Contract Personnel and Supervisors, wherever their experience and expertise are needed, anywhere in the World.

### Development in the year

The income statement of the Company for 2019 shows a profit of EUR 4,931,367, and at 31 December 2019 the balance sheet of the Company shows equity of EUR 14,091,177.

The Company continued to operate in the growing Renewables market, providing incremental Engineering and Inspection personnel across a range of Customers within the Renewables and Energy sector.

### Special risks - Foreign exchange risks

Exchange rate fluctuations are external factors that may occur at any time. The foreign exchange risk is most significant in USD and GBP, while the DKK exchange rate risk towards EUR is regarded as low due to Denmark's fixed-rate policy vis-à-vis the euro.

The cash flow and income statement would be negatively impacted if the local currency value in key sales regions depreciated against the euro.

### Targets and expectations for the year ahead

The Board believe the Company is well positioned to capitalise on the growing onshore and offshore Renewables and Energy markets, and will continue to expand its service offerings to its existing customer base, whilst also seeking to expand into new geographies and customers within the same Renewables and Energy sector.

The Company's outlook for the future will potentially be affected by the COVID-19 outbreak and the measures taken by governments in most of the world to mitigate the impacts of the outbreak, see also subsequent events disclosures in note 1. It is, however, too early yet to give an opinion as to the extent of the implications on the Company's outlook.

## **Management's Review**

### **Unusual events**

The financial position at 31 December 2019 of the Company and the results of the activities and cash flows of the Company for the financial year for 2019 have not been affected by any unusual events.

### **Subsequent events**

The implications of COVID-19 can potentially impact the company, see subsequent events disclosures in note 1.



## Income Statement 1 January - 31 December

	<u>Note</u>	<u>2019</u> TEUR	<u>2018</u> TEUR
<b>Gross profit/loss</b>		<b>17.214</b>	<b>19.038</b>
Staff expenses	2	-11.957	-13.111
<b>Profit/loss before depreciation</b>		<b>5.257</b>	<b>5.927</b>
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-233	-162
Other operating expenses		0	-2
<b>Profit/loss before financial income and expenses</b>		<b>5.024</b>	<b>5.763</b>
Financial income	4	0	29
Financial expenses	5	-93	-65
<b>Profit/loss before tax</b>		<b>4.931</b>	<b>5.727</b>
Tax on profit/loss for the year	6	-1.087	-1.262
<b>Net profit/loss for the year</b>		<b>3.844</b>	<b>4.465</b>

## Balance Sheet 31 December

### Assets

	Note	2019 TEUR	2018 TEUR
Other fixtures and fittings, tools and equipment		423	338
<b>Property, plant and equipment</b>	7	<b>423</b>	<b>338</b>
<b>Fixed assets</b>		<b>423</b>	<b>338</b>
<b>Inventories</b>		<b>79</b>	<b>73</b>
Trade receivables		8.545	6.462
Contract work in progress		1.388	914
Other receivables		384	294
Prepayments	8	60	44
<b>Receivables</b>		<b>10.377</b>	<b>7.714</b>
<b>Cash at bank and in hand</b>		<b>6.503</b>	<b>5.036</b>
<b>Currents assets</b>		<b>16.959</b>	<b>12.823</b>
<b>Assets</b>		<b>17.382</b>	<b>13.161</b>

## Balance Sheet 31 December

### Liabilities and equity

	<u>Note</u>	<u>2019</u> TEUR	<u>2018</u> TEUR
Share capital		134	134
Retained earnings		6.063	9.027
Proposed dividend for the year		6.806	873
<b>Equity</b>		<b>13.003</b>	<b>10.034</b>
Provision for deferred tax	10	88	65
<b>Provisions</b>		<b>88</b>	<b>65</b>
Payables to group enterprises		1.643	1.362
<b>Long-term debt</b>	11	<b>1.643</b>	<b>1.362</b>
Credit institutions		27	63
Trade payables		1.316	356
Payables to group enterprises	11	47	221
Corporation tax		180	148
Other payables		1.066	912
Deferred income		12	0
<b>Short-term debt</b>		<b>2.648</b>	<b>1.700</b>
<b>Debt</b>		<b>4.291</b>	<b>3.062</b>
<b>Liabilities and equity</b>		<b>17.382</b>	<b>13.161</b>
Subsequent events	1		
Distribution of profit	9		
Contingent assets, liabilities and other financial obligations	14		
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## Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	TEUR	TEUR	TEUR	TEUR
Equity at 1 January	134	9.027	873	10.034
Exchange adjustments	0	-2	0	-2
Ordinary dividend paid	0	0	-873	-873
Net profit/loss for the year	0	-2.962	6.806	3.844
<b>Equity at 31 December</b>	<b>134</b>	<b>6.063</b>	<b>6.806</b>	<b>13.003</b>

## Cash Flow Statement 1 January - 31 December

	Note	2019 TEUR	2018 TEUR
Net profit/loss for the year		3.844	4.465
Adjustments	12	1.411	1.462
Change in working capital	13	-1.538	121
<b>Cash flows from operating activities before financial income and expenses</b>		<b>3.717</b>	<b>6.048</b>
Financial income		0	23
Financial expenses		-100	-65
<b>Cash flows from ordinary activities</b>		<b>3.617</b>	<b>6.006</b>
Corporation tax paid		-1.032	-1.068
<b>Cash flows from operating activities</b>		<b>2.585</b>	<b>4.938</b>
Purchase of property, plant and equipment		-317	-273
<b>Cash flows from investing activities</b>		<b>-317</b>	<b>-273</b>
Repayment of loans from credit institutions		-35	1
Repayment of payables to group enterprises		107	779
Dividend paid		-873	-1.958
<b>Cash flows from financing activities</b>		<b>-801</b>	<b>-1.178</b>
<b>Change in cash and cash equivalents</b>		<b>1.467</b>	<b>3.487</b>
Cash and cash equivalents at 1 January		5.036	1.543
Exchange adjustment of current asset investments		0	6
<b>Cash and cash equivalents at 31 December</b>		<b>6.503</b>	<b>5.036</b>
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		6.503	5.036
Current asset investments		0	0
<b>Cash and cash equivalents at 31 December</b>		<b>6.503</b>	<b>5.036</b>



# Notes to the Financial Statements

## 1 Subsequent events

The implications of COVID-19 with many governments across the world deciding to "close down their countries" will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company.

Although a number of the company's customers have indicated that they are continuing ongoing projects, and a large proportion of the Company's projects are related to the continuity and ongoing efficiency of electricity generation through renewables in key markets, there is a risk that Covid-19 will have adverse consequences for the company's revenue and earnings in 2020. Management is following the trend closely, but it is still too early to comment about whether and if so what effect Covid-19 will have on revenue and earnings in 2020.

	<u>2019</u> TEUR	<u>2018</u> TEUR
<b>2 Staff expenses</b>		
Wages, salaries and contractors	11.556	12.794
Pensions	284	250
Other social security expenses	104	48
Other staff expenses	13	19
	<u>11.957</u>	<u>13.111</u>
<b>Average number of employees and contractors</b>	<u>167</u>	<u>186</u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

## 3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Depreciation of property, plant and equipment	<u>233</u>	<u>162</u>
	<u>233</u>	<u>162</u>

## Notes to the Financial Statements

	<u>2019</u> TEUR	<u>2018</u> TEUR
<b>4 Financial income</b>		
Other financial income	0	5
Exchange gains	<u>0</u>	<u>24</u>
	<u><b>0</b></u>	<u><b>29</b></u>
<b>5 Financial expenses</b>		
Interest paid to group enterprises	69	44
Other financial expenses	2	21
Exchange adjustments, expenses	<u>22</u>	<u>0</u>
	<u><b>93</b></u>	<u><b>65</b></u>
<b>6 Tax on profit/loss for the year</b>		
Current tax for the year	1.064	1.246
Deferred tax for the year	<u>23</u>	<u>16</u>
	<u><b>1.087</b></u>	<u><b>1.262</b></u>

## Notes to the Financial Statements

### 7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment <u>TEUR</u>
Cost at 1 January	651
Additions for the year	<u>317</u>
Cost at 31 December	<u>968</u>
Impairment losses and depreciation at 1 January	312
Depreciation for the year	<u>233</u>
Impairment losses and depreciation at 31 December	<u>545</u>
<b>Carrying amount at 31 December</b>	<b><u>423</u></b>
Depreciated over	<u>3-5 years</u>

### 8 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and leases.

### 9 Distribution of profit

	<u>2019</u> TEUR	<u>2018</u> TEUR
Extraordinary dividend paid	0	1.586
Proposed dividend for the year	6.806	873
Retained earnings	<u>-2.962</u>	<u>2.006</u>
	<b><u>3.844</u></b>	<b><u>4.465</u></b>

### 10 Provision for deferred tax

Provision for deferred tax at 1 January	65	49
Amounts recognised in the income statement for the year	<u>23</u>	<u>16</u>
<b>Provision for deferred tax at 31 December</b>	<b><u>88</u></b>	<b><u>65</u></b>

## Notes to the Financial Statements

### 11 Long-term debt

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

The debt falls due for payment as specified below:

	2019 TEUR	2018 TEUR
<b>Payables to group enterprises</b>		
After 5 years	1.643	1.362
Long-term part	1.643	1.362
Other short-term debt to group enterprises	47	221
	<b>1.690</b>	<b>1.583</b>

### 12 Cash flow statement - adjustments

Financial income	0	-29
Financial expenses	93	65
Depreciation, amortisation and impairment losses, including losses and gains on sales	233	164
Tax on profit/loss for the year	1.087	1.262
Other adjustments	-2	0
	<b>1.411</b>	<b>1.462</b>

### 13 Cash flow statement - change in working capital

Change in inventories	-6	-20
Change in receivables	-2.662	-570
Change in trade payables, etc	1.130	711
	<b>-1.538</b>	<b>121</b>

## Notes to the Financial Statements

	2019 TEUR	2018 TEUR
<b>14 Contingent assets, liabilities and other financial obligations</b>		
<b>Charges and security</b>		
The following assets have been placed as security with bankers: The company has signed a negative pledge clause.		
<b>Rental and lease obligations</b>		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	128	57
Between 1 and 5 years	277	68
	<b>405</b>	<b>125</b>
Obligation for operating leases. Expected fair values at the expiry of contracts	13	13
Rental commitments, non-termination period of 3 months. (3 months).	11	11

### Other contingent liabilities

The company are involved in various contractual relationships. As a part of our ordinary course of business, there are a limited number of disputes and potential claims. Management is unable to predict the ultimate outcome of these because of their inherent uncertainty. However, management believes that the most probable, ultimate resolution of these matters will not have a material adverse effect on our financial position, results of operations or cash flows.

The Danish Alpha group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Alpha Group. The total amount of corporation tax payable is disclosed in the Annual Report of Alpha Offshore Holding ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.



# Notes to the Financial Statements

## 15 Related parties

### Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act. There have been no transactions with the Supervisory Board, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany transactions and normal management remuneration.

### Consolidated Financial Statements

The company is included in the consolidated report for the parent company

Name	Place of registered office
Hawk Noteco Limited	Aberdeen, Scotland

# Notes to the Financial Statements

## 16 Accounting Policies

The Annual Report of Alpha Offshore Service A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The functional currency has changed in the fiscal year from TDKK to TEUR, previous years has been converted into TEUR.

The rest of the accounting policies applied remain unchanged from last year.

The Financial Statements for 2019 are presented in TEUR.

### Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

### Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised

# Notes to the Financial Statements

## 16 Accounting Policies (continued)

in the income statement on a straight-line basis over the lease term.

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

## Income Statement

### Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

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

## Notes to the Financial Statements

### 16 Accounting Policies (continued)

#### Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

#### Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

#### Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, expenses for raw materials and consumables and other external expenses.

#### Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

#### Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

#### Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

#### Financial income and expenses

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

#### Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.



# Notes to the Financial Statements

## 16 Accounting Policies (continued)

### Balance Sheet

#### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

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

Depreciation period and residual value are reassessed annually.

Assets costing less than EUR 1848 are expensed in the year of acquisition.

#### Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

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

#### Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indi-



## Notes to the Financial Statements

### 16 Accounting Policies (continued)

rect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

#### Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

#### Contract work in progress

Contract work in progress regarding service is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

#### Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

#### Current asset investments

Current asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

# Notes to the Financial Statements

## 16 Accounting Policies (continued)

### Equity

#### *Dividend*

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

#### **Deferred tax assets and liabilities**

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

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

#### **Current tax receivables and liabilities**

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

#### **Financial debts**

Loans are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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

## Notes to the Financial Statements

### 16 Accounting Policies (continued)

#### Deferred income

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

### Cash Flow Statement

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company'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 net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

#### Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

#### Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

#### Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

## Notes to the Financial Statements

### 16 Accounting Policies (continued)

#### Financial Highlights

##### Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$