
Alpha Offshore Service A/S

Farvervej 1, DK-7600 Struer

Annual Report for 2022

CVR No. 30 49 33 11

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 16/5 2023

Mikkel Jensby Lund
Chairman of the
general meeting



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Management's statement

The Executive Board and Board of Directors have today considered and adopted the Financial Statements of Alpha Offshore Service A/S for the financial year 1 January - 31 December 2022.

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 2022 of the Company and of the results of the Company operations and cash flows for 2022.

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

Struer, 16 May 2023

Executive Board

Mikkel Jensby Lund

Board of Directors

Stewart Andrew Allan Mitchell
Chairman

Charles Edward Topp

Neil Austin Johnson

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 2022 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2022 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 2022, 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Management's responsibilities for the Financial Statements

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

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

Independent Auditor's report

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 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, 16 May 2023

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Poul Spencer Poulsen

State Authorised Public Accountant

mne23324

Hans Jørgen Andersen

State Authorised Public Accountant

mne30211

Company information

The Company	Alpha Offshore Service A/S Farvervej 1 DK-7600 Struer Email: mail@alphaoffshore.dk Website: https://www.alphawindservices.com CVR No: 30 49 33 11 Financial period: 1 January - 31 December Incorporated: 1 April 2007 Municipality of reg. office: Struer
Board of Directors	Stewart Andrew Allan Mitchell, chairman Charles Edward Topp Neil Austin Johnson Mikkel Jensby Lund
Executive board	Mikkel Jensby Lund
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Hjaltensvej 16 7500 Holstebro
Bankers	Danske Bank Business center Midtjylland Dalgasgade 27, 1 sal 7400 Herning

Financial Highlights

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

	2022	2021	2020	2019	2018
	TEUR	TEUR	TEUR	TEUR	TEUR
Key figures					
Profit/loss					
Profit/loss of ordinary primary operations	3,868	6,008	5,731	5,024	5,763
Profit/loss before financial income and expenses	3,868	6,008	5,731	5,024	5,763
Profit/loss of financial income and expenses	-88	-262	-276	-93	-36
Net profit/loss	2,987	4,465	4,241	3,844	4,465
Balance sheet					
Balance sheet total	16,486	14,475	15,127	17,382	13,161
Equity	12,890	9,903	5,438	13,003	10,034
Cash flows					
Cash flows from:					
- investing activities	-316	-328	-254	-317	-273
Number of employees	240	218	192	167	186
Ratios					
Return on assets	23.5%	41.5%	37.9%	28.9%	43.8%
Solvency ratio	78.2%	68.4%	35.9%	74.8%	76.2%
Return on equity	26.2%	58.2%	46.0%	33.4%	50.9%

Management's review

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 2022 shows a profit of TEUR 2,987, and at 31 December 2022 the balance sheet of the Company shows positive equity of TEUR 12,890.

The past year and follow-up on development expectations from last year

Revenue from core markets and key costumers remained stable and the result of the year is satisfied.

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 EUR exchange rate risk 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 Danish krone

Targets and expectations for the year ahead

The Board believes the Company is well positioned to capitalize 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.

Subsequent events

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

Income statement 1 January - 31 December

	Note	2022	2021
		TEUR	TEUR
Gross profit		19,981	21,157
Staff expenses	1	-15,876	-14,906
Earnings Before Interest Taxes Depreciation and Amortization		4,105	6,251
Depreciation and impairment losses of property, plant and equipment		-237	-243
Profit/loss before financial income and expenses		3,868	6,008
Financial expenses	2	-88	-262
Profit/loss before tax		3,780	5,746
Tax on profit/loss for the year	3	-793	-1,281
Net profit/loss for the year	4	2,987	4,465

Balance sheet 31 December

Assets

	Note	2022 TEUR	2021 TEUR
Other fixtures and fittings, tools and equipment		578	504
Leasehold improvements		5	0
Property, plant and equipment	5	583	504
Fixed assets		583	504
Raw materials and consumables		118	76
Inventories		118	76
Trade receivables		8,507	10,477
Contract work in progress		276	1,141
Receivables from group enterprises		12	24
Other receivables		114	196
Corporation tax		79	0
Prepayments		29	71
Receivables		9,017	11,909
Cash at bank and in hand		6,768	1,986
Current assets		15,903	13,971
Assets		16,486	14,475

Balance sheet 31 December

Liabilities and equity

	Note	2022	2021
		TEUR	TEUR
Share capital		134	134
Retained earnings		8,756	9,769
Proposed dividend for the year		4,000	0
Equity		12,890	9,903
Provision for deferred tax	6	102	99
Provisions		102	99
Payables to group enterprises		1,144	815
Long-term debt	7	1,144	815
Credit institutions		37	25
Trade payables		1,221	1,487
Payables to group enterprises		51	0
Payables to group enterprises relating to corporation tax		282	777
Other payables		759	1,369
Short-term debt		2,350	3,658
Debt		3,494	4,473
Liabilities and equity		16,486	14,475
Contingent assets, liabilities and other financial obligations	10		
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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	9,769	0	9,903
Net profit/loss for the year	0	-1,013	4,000	2,987
Equity at 31 December	134	8,756	4,000	12,890

Cash flow statement 1 January - 31 December

	Note	2022 TEUR	2021 TEUR
Result of the year		2,987	4,465
Adjustments	8	1,118	1,786
Change in working capital	9	2,049	-2,857
Cash flow from operations before financial items		6,154	3,394
Financial expenses		-84	-123
Cash flows from ordinary activities		6,070	3,271
Corporation tax paid		-1,364	-576
Cash flows from operating activities		4,706	2,695
Purchase of property, plant and equipment		-316	-328
Cash flows from investing activities		-316	-328
Repayment of loans from credit institutions		12	-6
Repayment of payables to group enterprises		380	-5,833
Cash flows from financing activities		392	-5,839
Change in cash and cash equivalents		4,782	-3,472
Cash and cash equivalents at 1 January		1,986	5,458
Cash and cash equivalents at 31 December		6,768	1,986
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		6,768	1,986
Cash and cash equivalents at 31 December		6,768	1,986

Notes to the Financial Statements

	<u>2022</u>	<u>2021</u>
	TEUR	TEUR
1. Staff Expenses		
Wages and salaries	15,427	14,481
Pensions	331	295
Other social security expenses	105	117
Other staff expenses	13	13
	<u>15,876</u>	<u>14,906</u>

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

Average number of employees	<u>240</u>	<u>218</u>
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In addition to wages and salaries for the company's employees, wages and salaries also relates to settlements for hired contractors. Average number of employees include, in addition to the company's own employees, also the average number of hired contractors for the year.

	<u>2022</u>	<u>2021</u>
	TEUR	TEUR
2. Financial expenses		
Interest paid to group enterprises	40	138
Other financial expenses	16	73
Exchange adjustments, expenses	32	51
	<u>88</u>	<u>262</u>

	<u>2022</u>	<u>2021</u>
	TEUR	TEUR
3. Income tax expense		
Current tax for the year	792	1,261
Deferred tax for the year	26	20
Adjustment of tax concerning previous years	-25	0
	<u>793</u>	<u>1,281</u>

Notes to the Financial Statements

	2022	2021
	TEUR	TEUR
4. Profit allocation		
Proposed dividend for the year	4,000	0
Retained earnings	-1,013	4,465
	<u>2,987</u>	<u>4,465</u>

5. Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements
	TEUR	TEUR
Cost at 1 January	1,550	0
Additions for the year	309	5
Cost at 31 December	<u>1,859</u>	<u>5</u>
Impairment losses and depreciation at 1 January	1,044	0
Depreciation for the year	237	0
Impairment losses and depreciation at 31 December	<u>1,281</u>	<u>0</u>
Carrying amount at 31 December	<u>578</u>	<u>5</u>
Amortised over	<u>3-10 years</u>	<u>8 years</u>

	2022	2021
	TEUR	TEUR
6. Provision for deferred tax		
Deferred tax liabilities at 1 January	99	79
Amounts recognised in the income statement for the year	26	20
Amounts recognised in equity for the year	-23	0
Deferred tax liabilities at 31 December	<u>102</u>	<u>99</u>

Notes to the Financial Statements

7. 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:

	<u>2022</u>	<u>2021</u>
	TEUR	TEUR
Payables to group enterprises		
After 5 years	0	0
Between 1 and 5 years	1,144	815
Long-term part	<u>1,144</u>	<u>815</u>
Within 1 year	51	0
Short-term part	<u>51</u>	<u>0</u>
	<u>1,195</u>	<u>815</u>

8. Cash flow statement - Adjustments

	<u>2022</u>	<u>2021</u>
	TEUR	TEUR
Financial expenses	88	262
Depreciation, amortisation and impairment losses, including losses and gains on sales	237	243
Tax on profit/loss for the year	793	1,281
	<u>1,118</u>	<u>1,786</u>

9. Cash flow statement - Change in working capital

	<u>2022</u>	<u>2021</u>
	TEUR	TEUR
Change in inventories	-42	-34
Change in receivables	2,971	-2,928
Change in trade payables, etc	-880	105
	<u>2,049</u>	<u>-2,857</u>

Notes to the Financial Statements

2022	2021
TEUR	TEUR

10. Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with bankers:

The company has signed a negative pledge clause.

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	73	76
Between 1 and 5 years	27	104
	<u>100</u>	<u>180</u>

Obligation to designate buyer, operating leases. Expected residual value on expiry agreement	13	13
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Rental obligations, period of non-terminability 3 months	12	12
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Other contingent liabilities

The Company is involved in various contractual relationships as a part of its ordinary course of business. 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 will not have a material adverse effect on our financial position, results of operations or cash flows.

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Altrad Services A/S, which is the management company of the joint taxation purposes. Moreover, the Danish 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.

The Company has issued a payment guarantee towards Norwegian tax authorities of NOK 250.000.

Notes to the Financial Statements

11. Related parties and disclosure of consolidated financial statements

	<u>Basis</u>
Controlling interest	
ALTRAD PARTICIPATIONS	Ultimate owner
Sparrows Denmark ApS	Owner

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 Group Annual Report of the Parent Company of the largest and smallest group:

<u>Name</u>	<u>Place of registered office</u>
ALTRAD PARTICIPATIONS	Florensac, France
Sparrows Denmark ApS	Denmark

The Group Annual Report of ALTRAD PARTICIPATIONS may be obtained at the following address:

16 av de la gardie
34510 Florensac

The Group Annual Report of Sparrows Denmark ApS may be obtained at the following address:

Farvervej 1
7600 Struer

Notes to the Financial Statements

12. Accounting policies

The Annual Report of Alpha Offshore Service A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2022 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 in the income statement on a straight-line basis over the lease term.

Translation policies

EUR is used as the presentation currency. All other currencies are regarded as foreign currencies. If currency positions are considered to hedge future cash flows, value adjustments are recognized directly in equity.

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.

Notes to the Financial Statements

Income statement

Net sales

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.

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 as well as office expenses, etc.

Gross profit

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

Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees.

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.

Notes to the Financial Statements

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 the Parent Company. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

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 contracted directly for financing the construction of property, plant and equipment are recognised in cost over the construction period.

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	3-10 years
Leasehold improvements	8 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

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 and costs of completion. 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 indirect 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.

Notes to the Financial Statements

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 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.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate Dividend 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, such as loans from credit institutions, 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.

Notes to the Financial Statements

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.

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.

Financial Highlights

Explanation of financial ratios

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