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# ***Northern Offshore Services A/S***

Amager Strandvej 390, st., DK-2770 Kastrup

## **Annual Report for 1 July 2016 - 30 June 2017**

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CVR No 32 78 10 20

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
11/10 2017

Peter Ringsted  
Chairman

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# **Management's Statement**

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Northern Offshore Services A/S for the financial year 1 July 2016 - 30 June 2017.

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 30 June 2017 of the Company and of the results of the Company operations for 2016/17.

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

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

Copenhagen, 11 October 2017

## **Executive Board**

Anders Boman

Rasmus Johansson

## **Board of Directors**

David Kristensson  
Chairman

Michael Kristensson

Peter Ringsted

Søren Roed

Rasmus Johansson

# **Independent Auditor's Report**

To the Shareholder of Northern Offshore Services A/S

## **Opinion**

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 June 2017 and of the results of the Company's operations for the financial year 1 July 2016 - 30 June 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Northern Offshore Services A/S for the financial year 1 July 2016 - 30 June 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' 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 Financials Statements Act.

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

# Independent Auditor's Report

## **Management's responsibilities for the Financial Statements**

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

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

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

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

## Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Hellerup, 11 October 2017

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Mark Philip Beer

State Authorised Public Accountant

## **Company Information**

### **The Company**

Northern Offshore Services A/S  
Amager Strandvej 390, st.  
DK-2770 Kastrup

CVR No: 32 78 10 20  
Financial period: 1 July - 30 June  
Incorporated: 23 February 2010  
Financial year: 7th financial year  
Municipality of reg. office: Tårnby

### **Board of Directors**

David Kristensson, Chairman  
Michael Kristensson  
Peter Ringsted  
Søren Roed  
Rasmus Johansson

### **Executive Board**

Anders Boman  
Rasmus Johansson

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

## Financial Highlights

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

	<u>2016/17</u>	<u>2015/16</u>	<u>2014/15</u>	<u>2013/14</u>	<u>2012/13</u>
	TDKK	TDKK	TDKK	TDKK	TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Gross profit/loss	49.665	63.624	108.470	66.794	50.441
Profit/loss before financial income and expenses	2.971	21.101	58.163	18.172	12.464
Net financials	-476	656	-1.256	-3.654	-67
Net profit/loss for the year	2.488	21.752	56.907	14.515	12.393
<b>Balance sheet</b>					
Balance sheet total	115.913	96.887	152.767	154.259	134.456
Equity	36.326	53.838	87.086	43.579	29.064
<b>Ratios</b>					
Return on assets	2,6%	21,8%	38,1%	11,8%	9,3%
Solvency ratio	31,3%	55,6%	57,0%	28,3%	21,6%
Return on equity	5,5%	30,9%	87,1%	40,0%	34,1%

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.



# **Management's Review**

## **Key activities**

Northern Offshore Services A/S is a leading European operator of small, fast, flexible and environmentally friendly vessels.

The company was established in Denmark in 2010 and has since grown significantly.

Today we operate around 30 vessels, primarily working with the rapidly growing ocean based wind power industry. The Company's vessels and personnel work all over Europe, where this industry is established.

Our clients include large established industry groups, including Siemens and Vestas. We also work for a number of energy companies, e.g. DONG energy, EnBW and E.ON. In addition to these mayor industrial and energy companies, the Company's vessels are contracted to a great number of different players in the offshore wind industry.

Most of the vessels used are of our own design and built at special yards in England, the Netherlands and Norway. The Company is still at the forefront with its development of new types of vessels and new processes.

The Company is also the manager for the whole DONG energy crew transfer vessel fleet.

## **Development in the year**

The income statement of the Company for 2016/17 shows a profit of DKK 2,487,803, and at 30 June 2017 the balance sheet of the Company shows equity of DKK 36,325,723.

## **Important events**

In the past financial year the company has taken delivery of three new ships. M/V Detector, M/V Defender and M/V Doer was delivered from Grovfjord Mek. Verksted AS in Norway.

## **Uncertainty relating to recognition and measurement**

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

## **Unusual events**

The financial position at 30 June 2017 of the Company and the results of the activities of the Company for the financial year for 2016/17 have not been affected by any unusual events.

## **Subsequent events**

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

## Income Statement 1 July - 30 June

	Note	2016/17 DKK	2015/16 DKK
<b>Gross profit/loss</b>		<b>49.664.803</b>	<b>63.623.788</b>
Staff expenses	1	-44.502.512	-39.619.269
Depreciation property, plant and equipment		<u>-2.191.763</u>	<u>-2.903.103</u>
<b>Profit/loss before financial income and expenses</b>		<b>2.970.528</b>	<b>21.101.416</b>
Income from investments in associates		583.204	584.139
Financial income	2	91.882	921.376
Financial expenses	3	<u>-1.150.764</u>	<u>-849.510</u>
<b>Profit/loss before tax</b>		<b>2.494.850</b>	<b>21.757.421</b>
Tax on profit/loss for the year	4	<u>-7.047</u>	<u>-5.478</u>
<b>Net profit/loss for the year</b>		<b><u>2.487.803</u></b>	<b><u>21.751.943</u></b>

## Distribution of profit

### Proposed distribution of profit

Proposed dividend for the year	1.250.000	20.000.000
Reserve for net revaluation under the equity method	470.562	0
Retained earnings	<u>767.241</u>	<u>1.751.943</u>
	<b><u>2.487.803</u></b>	<b><u>21.751.943</u></b>

## Balance Sheet 30 June

### Assets

	Note	2016/17 DKK	2015/16 DKK
Other fixtures and fittings, tools and equipment		84.076	76.312
Vessels		52.485.837	15.728.544
Prepayments for property, plant and equipment		0	9.561.661
<b>Property, plant and equipment</b>	5	<b>52.569.913</b>	<b>25.366.517</b>
Investments in associates	6	5.174.372	5.061.839
Deposits	7	6.349.156	0
<b>Fixed asset investments</b>		<b>11.523.528</b>	<b>5.061.839</b>
<b>Fixed assets</b>		<b>64.093.441</b>	<b>30.428.356</b>
<b>Inventories</b>		<b>5.350.932</b>	<b>5.194.912</b>
Trade receivables		29.592.122	20.440.159
Receivables from group enterprises		40.625	1.437.032
Other receivables		3.005.244	718.059
Corporation tax		0	889
Prepayments		3.716.329	4.768.123
<b>Receivables</b>		<b>36.354.320</b>	<b>27.364.262</b>
<b>Cash at bank and in hand</b>		<b>10.114.032</b>	<b>33.899.270</b>
<b>Currents assets</b>		<b>51.819.284</b>	<b>66.458.444</b>
<b>Assets</b>		<b>115.912.725</b>	<b>96.886.800</b>

## Balance Sheet 30 June

### Liabilities and equity

	Note	2016/17 DKK	2015/16 DKK
Share capital		500.000	500.000
Reserve for net revaluation under the equity method		470.562	0
Retained earnings		34.105.161	33.337.920
Proposed dividend for the year		1.250.000	20.000.000
<b>Equity</b>		<b>36.325.723</b>	<b>53.837.920</b>
Credit institutions		27.223.992	4.716.329
<b>Long-term debt</b>	8	<b>27.223.992</b>	<b>4.716.329</b>
Credit institutions	8	4.948.902	11.540.022
Trade payables		2.859.129	4.061.330
Payables to group enterprises		29.795.076	11.217.625
Payables to associates		4.256.782	3.216.238
Corporation tax		9.191	0
Other payables		10.493.930	8.297.336
<b>Short-term debt</b>		<b>52.363.010</b>	<b>38.332.551</b>
<b>Debt</b>		<b>79.587.002</b>	<b>43.048.880</b>
<b>Liabilities and equity</b>		<b>115.912.725</b>	<b>96.886.800</b>
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## Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 July	500.000	0	33.337.920	20.000.000	53.837.920
Ordinary dividend paid	0	0	0	-20.000.000	-20.000.000
Net profit/loss for the year	0	470.562	2.017.241	0	2.487.803
Proposed dividend for the year	0	0	-1.250.000	1.250.000	0
<b>Equity at 30 June</b>	<b>500.000</b>	<b>470.562</b>	<b>34.105.161</b>	<b>1.250.000</b>	<b>36.325.723</b>

## Notes to the Financial Statements

	<u>2016/17</u>	<u>2015/16</u>
	DKK	DKK
<b>1 Staff expenses</b>		
Wages and salaries	35.467.100	31.719.694
Pensions	2.897.427	3.105.751
Other social security expenses	765.252	602.510
Other staff expenses	<u>5.372.733</u>	<u>4.191.314</u>
	<b><u>44.502.512</u></b>	<b><u>39.619.269</u></b>
Including remuneration to the Executive Board and Board of Directors	<u>1.949.122</u>	<u>1.744.000</u>
Average number of employees	<u>102</u>	<u>93</u>
<b>2 Financial income</b>		
Interest received from group enterprises	11.566	862.960
Other financial income	<u>80.316</u>	<u>58.416</u>
	<b><u>91.882</u></b>	<b><u>921.376</u></b>
<b>3 Financial expenses</b>		
Interest paid to group enterprises	346.048	74.897
Other financial expenses	<u>804.716</u>	<u>774.613</u>
	<b><u>1.150.764</u></b>	<b><u>849.510</u></b>
<b>4 Tax on profit/loss for the year</b>		
Current tax for the year	<u>7.047</u>	<u>5.478</u>
	<b><u>7.047</u></b>	<b><u>5.478</u></b>

## Notes to the Financial Statements

### 5 Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Vessels	Prepayments for property, plant and equipment
	DKK	DKK	DKK
Cost at 1 July	230.690	22.363.456	9.561.661
Additions for the year	48.226	35.696.088	0
Disposals for the year	0	0	-6.349.156
Transfers for the year	0	3.212.505	-3.212.505
Cost at 30 June	<u>278.916</u>	<u>61.272.049</u>	<u>0</u>
Impairment losses and depreciation at 1 July	154.377	6.634.912	0
Depreciation for the year	40.463	2.151.300	0
Impairment losses and depreciation at 30 June	<u>194.840</u>	<u>8.786.212</u>	<u>0</u>
<b>Carrying amount at 30 June</b>	<b><u>84.076</u></b>	<b><u>52.485.837</u></b>	<b><u>0</u></b>
Depreciated over	<u>3 years</u>	<u>10-15 years</u>	

## Notes to the Financial Statements

	2016/17 DKK	2015/16 DKK
<b>6 Investments in associates</b>		
Cost at 1 July	4.703.810	4.703.810
Cost at 30 June	4.703.810	4.703.810
Value adjustments at 1 July	358.029	244.868
Net profit/loss for the year	583.345	584.139
Dividends received	-470.812	-470.978
Value adjustments at 30 June	470.562	358.029
<b>Carrying amount at 30 June</b>	<b>5.174.372</b>	<b>5.061.839</b>

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Partrederiet Achiever			50%	2.500.892	284.891
Partrederiet Assister			50%	2.673.480	298.454
				5.174.372	583.345

## 7 Other fixed asset investments

	Deposits DKK
Cost at 1 July	0
Transfers for the year	6.349.156
Cost at 30 June	6.349.156
Impairment losses at 1 July	0
Impairment losses at 30 June	0
<b>Carrying amount at 30 June</b>	<b>6.349.156</b>



# Notes to the Financial Statements

## 8 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>2016/17</u> DKK	<u>2015/16</u> DKK
<b>Credit institutions</b>		
After 5 years	15.327.452	295.210
Between 1 and 5 years	11.896.540	4.421.119
Long-term part	<u>27.223.992</u>	<u>4.716.329</u>
Within 1 year	4.948.902	11.540.022
	<u><b>32.172.894</b></u>	<u><b>16.256.351</b></u>

## 9 Contingent assets, liabilities and other financial obligations

### Rental and lease obligations

The company's contractual obligations relating to chartering and bareboating of vessels totals DKK 341,307k (2015/16: DKK 260,653k). DKK 101,077k (2015/16: DKK 105,376k) of the total obligation falls due after five years.

The tenancy agreement for Amager Strandvej 390, 2770 Kastrup, Denmark, cannot be terminated and the premises vacated until 1 September 2018 at the earliest. The rental agreement is interminable for 14 months corresponding to an amount of DKK 485k (2015/16: DKK 601k) .

### Security

The Company has issued an owner's mortgage totalling DKK 42,402k creating a charge on vessels the carrying amount of which amounts to DKK 43,888k at 30 June 2017. The owner's mortgage is deposited as security for debt to credit institutions.

The Company has guaranteed bank loans totalling DKK 13,750k in associates.

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. 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.

# Notes to the Financial Statements

## 10 Related parties

	<u>Basis</u>
<b>Controlling interest</b>	
Northern Offshore Services AB	Parent company

### Transactions

Northern Offshore Services A/S had in the financial year transactions with other companies affiliated to Northern Offshore Services AB. The company's management has confirmed that trades and other transactions with affiliated companies are made on market conditions.

### Consolidated Financial Statements

The Company is included in the consolidated Financial Statements of the parent company

<u>Name</u>	<u>Place of registered office</u>
Northern Offshore Services AB	

The Consolidated Financial Statements of Northern Offshore Services AB can be obtained on following address:

Northern Offshore Services AB  
Saltholmsgatan 44  
426 76 Västra Frölunda  
Sweden

# Notes to the Financial Statements

## 11 Accounting Policies

The Annual Report of Northern Offshore Services A/S for 2016/17 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 2016/17 are presented in DKK.

### Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Northern Offshore Services AB, the Company has not prepared a cash flow statement.

### 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.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

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

Danish kroner is used as the measurement currency. All other currencies are regarded as foreign currencies.

# Notes to the Financial Statements

## 11 Accounting Policies (continued)

### 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 approximated value 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

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

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.

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

### Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

### 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.

# Notes to the Financial Statements

## 11 Accounting Policies (continued)

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

### **Vessel operating costs**

Vessel operating costs comprise the raw materials and consumables consumed to achieve revenue for the year.

### **Other external expenses**

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

### **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 core activities of the enterprise, including gains and losses on the sale of intangible assets and vessels, property, plant and equipment.

### **Income from investments in associates**

The item "Income from investments in associates" in the income statement includes the proportionate share of the profit for the year.

### **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**

The Company is taxed according to the Danish Tonnage Taxation law.

# Notes to the Financial Statements

## 11 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.

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 years
Ships	10-15 years

Depreciation period and residual value are reassessed annually.

#### 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.

#### Investments in associates

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

The items "Investments in associates" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of any remaining value of positive differences (goodwill) and deduction of any remaining value of negative differences (negative goodwill).

The total net revaluation of investments in associates is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in associates.

Associates with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

# Notes to the Financial Statements

## 11 Accounting Policies (continued)

### **Other fixed asset investments**

Other fixed asset investments consist of deposits.

### **Inventories**

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

### **Receivables**

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

### **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 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, including the tax base of tax loss carry-forwards, 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.

### **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.

# Notes to the Financial Statements

## 11 Accounting Policies (continued)

### Financial debts

Credit institutions 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.

### 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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$