

Ocean Team Group A/S

Vesterhavsgade 56

6700 Esbjerg

Central Business Registration

No 32833373

Annual report

01.10.2018 -

30.09.2019

The Annual General Meeting adopted the annual report on 17.01.2020

Chairman of the General Meeting

Name: Claus Boel

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Entity details

Entity

Ocean Team Group A/S
Vesterhavsgade 56
6700 Esbjerg

Central Business Registration No (CVR): 32833373
Registered in: Esbjerg
Financial year: 01.10.2018 - 30.09.2019

Board of Directors

Carsten Steen Jensen
Jens Peder Høg Thomsen
Claus Boel

Executive Board

Jens Peder Høg Thomsen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Dokken 8
Postbox 200
6701 Esbjerg

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Ocean Team Group A/S for the financial year 01.10.2018 - 30.09.2019.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.09.2019 and of the results of its operations for the financial year 01.10.2018 - 30.09.2019.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Esbjerg, 27.11.2019

Executive Board

Jens Peder Høg Thomsen

Board of Directors

Carsten Steen Jensen

Jens Peder Høg Thomsen

Claus Boel

Independent auditor's report

To the shareholders of Ocean Team Group A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Ocean Team Group A/S for the financial year 01.10.2018 - 30.09.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30.09.2019, and of the results of their operations for the financial year 01.10.2018 - 30.09.2019 in accordance with the Danish Financial Statements Act.

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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of 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.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated

Independent auditor's report

financial statements and these parent 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 consolidated financial statements and the parent 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 Group's and the Parent'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 consolidated financial statements and the parent 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 Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Esbjerg, 27.11.2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Jesper Smedegaard Larsen
State Authorised Public Accountant
Identification No (MNE) mne18510

Management commentary

Primary activities

Company activities consist of owning shares in subsidiaries and patents for the whole group. Furthermore, it is holding the group management together with some of the administration and internal service departments for the whole group

Development in activities and finances

The year result constitutes a profit of 2.908 t.dkk after taxes evaluated against 909 t.dkk for the financial year 2017/2018. The profit is considered satisfactory by management in proportion to the market situation. The equity capital amounts hereafter to 32.147 t.dkk corresponding to 67% of the consolidated balance sum amounting to 48.276 t.dkk.

Outlook

The Group incurs ongoing costs aiming for continuous development of industry relevant technologies and related patents. Due to increasing market demands on usability of the group's technologies in customers' production and for the objective to maintain and develop the lead position of the group on the market for total purity solutions, management expects a continued cost rise to cover the requirements of technology development, quality assurance, further development and protection of the group's production facility and know-how.

Increasing internationalization of the group's activities imposes organizational demands to the group, hence one of management's major future responsibilities comprise of adjusting the organization to this exciting future. Budgetary, significant amounts are allocated to the above-mentioned purposes. Management expects a satisfactory activity and profit performance the coming year, based on the above.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2018/19

	<u>Notes</u>	<u>2018/19 DKK</u>	<u>2017/18 DKK</u>
Gross profit		30.702.736	23.845.719
Staff costs	1	(22.609.112)	(18.320.684)
Depreciation, amortisation and impairment losses	2	(4.142.719)	(4.128.142)
Operating profit/loss		3.950.905	1.396.893
Other financial income		2.616	1.380
Other financial expenses		(196.524)	(223.976)
Profit/loss before tax		3.756.997	1.174.297
Tax on profit/loss for the year	3	(849.106)	(265.201)
Profit/loss for the year		2.907.891	909.096
Proposed distribution of profit/loss			
Ordinary dividend for the financial year		10.000.000	0
Retained earnings		(7.092.109)	909.095
		2.907.891	909.095

Consolidated balance sheet at 30.09.2019

	<u>Notes</u>	<u>2018/19 DKK</u>	<u>2017/18 DKK</u>
Acquired patents		987.600	528.764
Intangible assets	4	987.600	528.764
Land and buildings		10.558.549	10.842.853
Other fixtures and fittings, tools and equipment		5.367.403	7.772.056
Leasehold improvements		248.529	631.803
Property, plant and equipment in progress		1.981.229	855.334
Property, plant and equipment	5	18.155.710	20.102.046
Fixed assets		19.143.310	20.630.810
Raw materials and consumables		2.394.649	2.361.615
Work in progress		988.906	0
Inventories		3.383.555	2.361.615
Trade receivables		10.658.471	14.909.756
Contract work in progress	6	331.866	809.166
Other receivables		999.062	316.924
Prepayments		646.819	557.841
Receivables		12.636.218	16.593.687
Cash		13.112.913	5.970.184
Current assets		29.132.686	24.925.486
Assets		48.275.996	45.556.296

Consolidated balance sheet at 30.09.2019

	<u>Notes</u>	<u>2018/19 DKK</u>	<u>2017/18 DKK</u>
Contributed capital		500.000	500.000
Retained earnings		21.646.863	28.738.972
Proposed dividend		10.000.000	0
Equity		32.146.863	29.238.972
Deferred tax		51.458	337.626
Provisions		51.458	337.626
Mortgage debt		3.747.597	4.088.684
Other payables		47.852	57.780
Non-current liabilities other than provisions	7	3.795.449	4.146.464
Current portion of long-term liabilities other than provisions	7	340.000	338.000
Prepayments received from customers		513.110	0
Contract work in progress	6	573.500	0
Trade payables		3.805.230	5.466.886
Joint taxation contribution payable		1.135.000	475.726
Other payables		5.915.386	5.552.622
Current liabilities other than provisions		12.282.226	11.833.234
Liabilities other than provisions		16.077.675	15.979.698
Equity and liabilities		48.275.996	45.556.296
Unrecognised rental and lease commitments	8		
Assets charged and collateral	9		
Subsidiaries	10		

Consolidated statement of changes in equity for 2018/19

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	500.000	28.738.972	0	29.238.972
Profit/loss for the year	0	(7.092.109)	10.000.000	2.907.891
Equity end of year	500.000	21.646.863	10.000.000	32.146.863

Notes to consolidated financial statements

	2018/19 DKK	2017/18 DKK
1. Staff costs		
Wages and salaries	19.197.102	15.568.309
Pension costs	370.096	0
Other social security costs	2.554.792	2.244.696
Other staff costs	487.122	507.679
	22.609.112	18.320.684
Average number of employees	32	27
	2018/19 DKK	2017/18 DKK
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	316.087	161.103
Depreciation of property, plant and equipment	3.718.617	4.137.244
Profit/loss from sale of intangible assets and property, plant and equipment	108.015	(170.205)
	4.142.719	4.128.142
	2018/19 DKK	2017/18 DKK
3. Tax on profit/loss for the year		
Current tax	1.135.000	475.733
Change in deferred tax	(286.168)	(201.752)
Adjustment concerning previous years	274	(8.780)
	849.106	265.201
		Acquired patents DKK
4. Intangible assets		
Cost beginning of year		805.511
Additions		774.923
Cost end of year		1.580.434
Amortisation and impairment losses beginning of year		(276.747)
Amortisation for the year		(316.087)
Amortisation and impairment losses end of year		(592.834)
Carrying amount end of year		987.600

Notes to consolidated financial statements

	Land and buildings DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improve- ments DKK	Property, plant and equipment in progress DKK
5. Property, plant and equipment				
Cost beginning of year	12.613.670	33.587.884	3.320.916	855.334
Transfers	0	139.041	0	(139.041)
Additions	0	615.359	0	1.408.820
Disposals	0	(2.643.248)	(14.996)	(143.884)
Cost end of year	12.613.670	31.699.036	3.305.920	1.981.229
Depreciation and impairment losses beginning of year	(1.770.817)	(25.815.828)	(2.689.113)	0
Depreciation for the year	(284.304)	(3.051.039)	(383.274)	0
Reversal regarding disposals	0	2.535.234	14.996	0
Depreciation and impairment losses end of year	(2.055.121)	(26.331.633)	(3.057.391)	0
Carrying amount end of year	10.558.549	5.367.403	248.529	1.981.229
			2018/19 DKK	2017/18 DKK
6. Contract work in progress				
Contract work in progress			4.795.386	1.234.445
Progress billings regarding contract work in progress			(5.037.020)	(425.279)
Transferred to liabilities other than provisions			573.500	0
			331.866	809.166
	Due within 12 months 2018/19 DKK	Due within 12 months 2017/18 DKK	Due after more than 12 months 2018/19 DKK	
7. Liabilities other than provisions				
Mortgage debt	340.000	338.000	3.747.597	
Other payables	0	0	47.852	
	340.000	338.000	3.795.449	
			2018/19 DKK	2017/18 DKK
8. Unrecognised rental and lease commitments				
Liabilities under rental or lease agreements until maturity in total			915.617	688.104

Notes to consolidated financial statements

9. Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties.

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity inte- rest %</u>
10. Subsidiaries			
Ocean Team Scandinavia A/S	Esbjerg	A/S	100,0
OTG Ejendomme A/S	Esbjerg	A/S	100,0
Ocean Team Windcare A/S	Esbjerg	A/S	100,0
Ocean Team Powertech A/S	Esbjerg	A/S	100,0
Ocean Team Fluidcare India Pvt. Ltd.	India	Ltd.	51,0
Ocean Team Fluidcare UK Ltd.	England	Ltd.	100,0

Parent income statement for 2018/19

	<u>Notes</u>	<u>2018/19 DKK</u>	<u>2017/18 DKK</u>
Gross profit		4.881.212	1.126.363
Staff costs	1	(4.705.885)	(2.080.741)
Depreciation, amortisation and impairment losses		(316.087)	(161.103)
Operating profit/loss		(140.760)	(1.115.481)
Income from investments in group enterprises		2.908.563	1.598.789
Other financial income	2	226.576	259.646
Other financial expenses	3	(65.819)	(40.331)
Profit/loss before tax		2.928.560	702.623
Tax on profit/loss for the year	4	(20.669)	206.472
Profit/loss for the year		2.907.891	909.095
Proposed distribution of profit/loss			
Ordinary dividend for the financial year		10.000.000	0
Retained earnings		(7.092.109)	909.095
		2.907.891	909.095

Parent balance sheet at 30.09.2019

	<u>Notes</u>	<u>2018/19 DKK</u>	<u>2017/18 DKK</u>
Acquired patents		987.600	528.764
Intangible assets	5	987.600	528.764
Investments in group enterprises		23.069.092	22.140.529
Fixed asset investments	6	23.069.092	22.140.529
Fixed assets		24.056.692	22.669.293
Receivables from group enterprises		7.071.148	6.885.909
Other receivables		0	1.820
Joint taxation contribution receivable		8.000	217.000
Prepayments		524.628	135.123
Receivables		7.603.776	7.239.852
Cash		4.198.320	331.359
Current assets		11.802.096	7.571.211
Assets		35.858.788	30.240.504

Parent balance sheet at 30.09.2019

	<u>Notes</u>	<u>2018/19 DKK</u>	<u>2017/18 DKK</u>
Contributed capital		500.000	500.000
Reserve for net revaluation according to the equity method		10.455.558	9.546.995
Retained earnings		11.191.304	19.191.976
Proposed dividend		10.000.000	0
Equity		32.146.862	29.238.971
Deferred tax		41.000	12.331
Provisions		41.000	12.331
Trade payables		173.602	0
Payables to group enterprises		2.308.697	104.302
Other payables		1.188.627	884.900
Current liabilities other than provisions		3.670.926	989.202
Liabilities other than provisions		3.670.926	989.202
Equity and liabilities		35.858.788	30.240.504
Unrecognised rental and lease commitments	7		
Contingent liabilities	8		
Assets charged and collateral	9		

Parent statement of changes in equity for 2018/19

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK
	<u> </u>	<u> </u>	<u> </u>
Equity beginning of year	500.000	9.546.995	19.191.976
Profit/loss for the year	<u>0</u>	<u>908.563</u>	<u>(8.000.672)</u>
Equity end of year	<u>500.000</u>	<u>10.455.558</u>	<u>11.191.304</u>
		Proposed dividend DKK	Total DKK
		<u> </u>	<u> </u>
Equity beginning of year		0	29.238.971
Profit/loss for the year		<u>10.000.000</u>	<u>2.907.891</u>
Equity end of year		<u>10.000.000</u>	<u>32.146.862</u>

Notes to parent financial statements

	2018/19 DKK	2017/18 DKK
1. Staff costs		
Wages and salaries	4.205.750	1.858.985
Pension costs	263.845	78.118
Other social security costs	64.930	8.911
Other staff costs	171.360	134.727
	4.705.885	2.080.741
Average number of employees	7	3
	2018/19 DKK	2017/18 DKK
2. Other financial income		
Financial income arising from group enterprises	226.576	259.593
Exchange rate adjustments	0	53
	226.576	259.646
	2018/19 DKK	2017/18 DKK
3. Other financial expenses		
Financial expenses from group enterprises	50.214	32.164
Other interest expenses	4.573	3.677
Exchange rate adjustments	27	0
Other financial expenses	11.005	4.490
	65.819	40.331
	2018/19 DKK	2017/18 DKK
4. Tax on profit/loss for the year		
Change in deferred tax	28.669	19.600
Adjustment concerning previous years	0	(9.072)
Refund in joint taxation arrangement	(8.000)	(217.000)
	20.669	(206.472)

Notes to parent financial statements

	Acquired patents DKK
5. Intangible assets	
Cost beginning of year	805.511
Additions	774.923
Cost end of year	1.580.434
Amortisation and impairment losses beginning of year	(276.747)
Amortisation for the year	(316.087)
Amortisation and impairment losses end of year	(592.834)
Carrying amount end of year	987.600
	Invest- ments in group enterprises DKK
6. Fixed asset investments	
Cost beginning of year	12.593.534
Additions	20.000
Cost end of year	12.613.534
Revaluations beginning of year	9.546.995
Share of profit/loss for the year	2.908.563
Dividend	(2.000.000)
Revaluations end of year	10.455.558
Carrying amount end of year	23.069.092

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

	2018/19 DKK	2017/18 DKK
7. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	440.496	0

♥ Ikke-indregnede leje- og leasingforpligtelser- Indsæt beskrivelse af evt. særlige forhold.

8. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where O & J Holding A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities. The jointly taxed entities' total known net

Notes to parent financial statements

liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

9. Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, cost of raw materials and consumables and external expenses.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Accounting policies

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Property costs

Property costs include costs incurred to operate the Entity's properties in the financial year, including repair and maintenance costs, property tax and electricity, water and heating, which are not charged directly from the lessee.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Accounting policies

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-manufactured assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs.

Indirect production costs in the form of indirect attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each asset.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	22-25 years
Other fixtures and fittings, tools and equipment	5 years
Leasehold improvements	5 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

In the parent financial statements, investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Accounting policies

Inventories

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

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Contract work in progress

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Accounting policies

Mortgage debt

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

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

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Joint taxation contributions receivable or payable

Current joint taxation contributions receivable or joint taxation payable is recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.