

Ocean Team Group A/S

Vesterhavsgade 56

6700 Esbjerg

Central Business Registration

No 32833373

Annual report

01.10.2017 -

30.09.2018

The Annual General Meeting adopted the annual report on 18.01.2019

Chairman of the General Meeting

Name: Claus Boel

Contents

	<u>Page</u>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	6
Consolidated income statement for 2017/18	7
Consolidated balance sheet at 30.09.2018	8
Consolidated statement of changes in equity for 2017/18	10
Notes to consolidated financial statements	11
Parent income statement for 2017/18	14
Parent balance sheet at 30.09.2018	15
Parent statement of changes in equity for 2017/18	17
Notes to parent financial statements	18
Accounting policies	21

Entity details

Entity

Ocean Team Group A/S
Vesterhavsgade 56
6700 Esbjerg

Central Business Registration No (CVR): 32833373
Registered in: Esbjerg
Financial year: 01.10.2017 - 30.09.2018

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 01.10.2017 - 30.09.2018.

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 30.09.2018 and of the results of its operations for the financial year 01.10.2017 - 30.09.2018.

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, 05.12.2018

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 01.10.2017 - 30.09.2018, 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 30.09.2018, and of the results of their operations for the financial year 01.10.2017 - 30.09.2018 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, 05.12.2018

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 909 t.dkk after taxes evaluated against 264 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 29.239 t.dkk corresponding to 64% of the balance sum amounting to 45.556 t.dkk.

Outlook

The company incurs ongoing costs aiming for continuous development of industry relevant technologies and related patents. Due to increasing market demands on usability of the company's technologies in customers' production and for the objective to maintain and develop the lead position of the company 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 company's production facility and know-how.

Increasing internationalization of the company's activities imposes organizational demands to the company, 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 2017/18

	<u>Notes</u>	<u>2017/18 DKK</u>	<u>2016/17 DKK</u>
Gross profit		23,845,719	24,329,872
Staff costs	1	(18,320,684)	(19,544,618)
Depreciation, amortisation and impairment losses	2	(4,128,142)	(3,999,518)
Operating profit/loss		1,396,893	785,736
Other financial income		1,380	4,688
Impairment losses on financial assets		0	(202,888)
Other financial expenses		(223,976)	(188,166)
Profit/loss before tax		1,174,297	399,370
Tax on profit/loss for the year	3	(265,201)	(135,171)
Profit/loss for the year		909,096	264,199
Proposed distribution of profit/loss			
Retained earnings		909,095	264,199
		909,095	264,199

Consolidated balance sheet at 30.09.2018

	<u>Notes</u>	<u>2017/18 DKK</u>	<u>2016/17 DKK</u>
Acquired patents		528,764	374,010
Intangible assets	4	528,764	374,010
Land and buildings		10,842,853	9,901,656
Other fixtures and fittings, tools and equipment		7,772,056	9,890,592
Leasehold improvements		631,803	1,025,794
Property, plant and equipment in progress		855,334	1,465,114
Prepayments for property, plant and equipment		0	1,000,000
Property, plant and equipment	5	20,102,046	23,283,156
Other investments		0	10,337
Fixed asset investments		0	10,337
Fixed assets		20,630,810	23,667,503
Raw materials and consumables		2,361,615	2,397,033
Inventories		2,361,615	2,397,033
Trade receivables		14,909,753	7,261,599
Contract work in progress	6	809,166	1,000,473
Other receivables		316,924	355,096
Prepayments		557,841	624,085
Receivables		16,593,684	9,241,253
Cash		5,970,184	4,391,462
Current assets		24,925,483	16,029,748
Assets		45,556,293	39,697,251

Consolidated balance sheet at 30.09.2018

	<u>Notes</u>	<u>2017/18 DKK</u>	<u>2016/17 DKK</u>
Contributed capital		500,000	500,000
Retained earnings		28,738,972	27,829,877
Equity		<u>29,238,972</u>	<u>28,329,877</u>
Deferred tax		337,626	539,378
Provisions		<u>337,626</u>	<u>539,378</u>
Mortgage debt		4,088,684	4,427,380
Other payables		57,780	57,780
Non-current liabilities other than provisions	7	<u>4,146,464</u>	<u>4,485,160</u>
Current portion of long-term liabilities other than provisions	7	338,000	337,000
Trade payables		5,466,886	1,134,957
Joint taxation contribution payable		475,726	190,211
Other payables		5,552,619	4,680,668
Current liabilities other than provisions		<u>11,833,231</u>	<u>6,342,836</u>
Liabilities other than provisions		<u>15,979,695</u>	<u>10,827,996</u>
Equity and liabilities		<u>45,556,293</u>	<u>39,697,251</u>
Unrecognised rental and lease commitments	8		
Assets charged and collateral	9		
Subsidiaries	10		

Consolidated statement of changes in equity for 2017/18

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	500,000	27,829,877	28,329,877
Profit/loss for the year	0	909,095	909,095
Equity end of year	500,000	28,738,972	29,238,972

Notes to consolidated financial statements

	2017/18 DKK	2016/17 DKK
1. Staff costs		
Wages and salaries	15,568,309	16,816,439
Other social security costs	2,244,696	2,273,605
Other staff costs	507,679	454,574
	18,320,684	19,544,618
Average number of employees	27	30
	2017/18 DKK	2016/17 DKK
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	161,103	97,932
Depreciation of property, plant and equipment	4,137,244	3,926,716
Profit/loss from sale of intangible assets and property, plant and equipment	(170,205)	(25,130)
	4,128,142	3,999,518
	2017/18 DKK	2016/17 DKK
3. Tax on profit/loss for the year		
Current tax	475,733	188,068
Change in deferred tax	(201,752)	(52,897)
Adjustment concerning previous years	(8,780)	0
	265,201	135,171
		Acquired patents DKK
4. Intangible assets		
Cost beginning of year		489,654
Additions		315,857
Cost end of year		805,511
Amortisation and impairment losses beginning of year		(115,644)
Amortisation for the year		(161,103)
Amortisation and impairment losses end of year		(276,747)
Carrying amount end of year		528,764

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	11,388,164	33,469,989	3,320,916	1,465,114
Transfers	1,000,000	768,771	0	(768,771)
Additions	225,506	1,313,729	0	276,925
Disposals	0	(1,964,605)	0	(117,934)
Cost end of year	12,613,670	33,587,884	3,320,916	855,334
Depreciation and impairment losses beginning of year	(1,486,508)	(23,579,397)	(2,295,122)	0
Depreciation for the year	(284,309)	(3,458,944)	(393,991)	0
Reversal regarding disposals	0	1,222,513	0	0
Depreciation and impairment losses end of year	(1,770,817)	(25,815,828)	(2,689,113)	0
Carrying amount end of year	10,842,853	7,772,056	631,803	855,334
				Prepay- ments for property, plant and equipment DKK
5. Property, plant and equipment				
Cost beginning of year				1,000,000
Transfers				(1,000,000)
Additions				0
Disposals				0
Cost end of year				0
Depreciation and impairment losses beginning of year				0
Depreciation for the year				0
Depreciation and impairment losses end of year				0
Depreciation and impairment losses end of year				0
Carrying amount end of year				0

Notes to consolidated financial statements

	<u>2017/18</u> <u>DKK</u>	<u>2016/17</u> <u>DKK</u>
6. Contract work in progress		
Contract work in progress	1,234,445	1,396,983
Progress billings regarding contract work in progress	(425,279)	(396,510)
	<u>809,166</u>	<u>1,000,473</u>

	<u>Due within 12</u> <u>months</u> <u>2017/18</u> <u>DKK</u>	<u>Due within 12</u> <u>months</u> <u>2016/17</u> <u>DKK</u>	<u>Due after more</u> <u>than 12</u> <u>months</u> <u>2017/18</u> <u>DKK</u>
7. Liabilities other than provisions			
Mortgage debt	338,000	337,000	4,088,684
Other payables	0	0	57,780
	<u>338,000</u>	<u>337,000</u>	<u>4,146,464</u>

	<u>2017/18</u> <u>DKK</u>	<u>2016/17</u> <u>DKK</u>
8. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	<u>688,104</u>	<u>132,323</u>

9. Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties.

For collateral for payment of supplier debt, a guarantee is provided for 500 TGBP (4,202 T.DKK).

	<u>Registered in</u>	<u>Corpo-</u> <u>rate</u> <u>form</u>	<u>Equity</u> <u>inte-</u> <u>rest</u> <u>%</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 Fluidcare India Pvt. Ltd.	India	Ltd.	51.0
Ocean Team Fluidcare UK Ltd.	England	Ltd.	100.0

Parent income statement for 2017/18

	<u>Notes</u>	<u>2017/18 DKK</u>	<u>2016/17 DKK</u>
Gross profit		1,126,363	871,699
Staff costs	1	(2,080,741)	(1,170,666)
Depreciation, amortisation and impairment losses		(161,103)	(97,932)
Operating profit/loss		(1,115,481)	(396,899)
Income from investments in group enterprises		1,598,789	632,740
Other financial income	2	259,646	339,701
Impairment losses on financial assets		0	(202,888)
Other financial expenses	3	(40,331)	(170,357)
Profit/loss before tax		702,623	202,297
Tax on profit/loss for the year	4	206,472	61,902
Profit/loss for the year		909,095	264,199
Proposed distribution of profit/loss			
Transferred to reserve for net revaluation according to the equity method		0	(367,261)
Retained earnings		909,095	631,460
		909,095	264,199

Parent balance sheet at 30.09.2018

	<u>Notes</u>	<u>2017/18 DKK</u>	<u>2016/17 DKK</u>
Acquired patents		528,764	374,010
Intangible assets	5	528,764	374,010
Investments in group enterprises		22,140,529	25,540,990
Fixed asset investments	6	22,140,529	25,540,990
Fixed assets		22,669,293	25,915,000
Receivables from group enterprises		6,885,909	8,875,824
Deferred tax		0	7,269
Other receivables		1,820	19,180
Joint taxation contribution receivable		217,000	55,733
Prepayments		135,123	0
Receivables		7,239,852	8,958,006
Cash		331,359	226,993
Current assets		7,571,211	9,184,999
Assets		30,240,504	35,099,999

Parent balance sheet at 30.09.2018

	<u>Notes</u>	<u>2017/18 DKK</u>	<u>2016/17 DKK</u>
Contributed capital		500,000	500,000
Reserve for net revaluation according to the equity method		9,546,995	8,898,703
Retained earnings		19,191,976	18,931,173
Equity		29,238,971	28,329,876
Deferred tax		12,331	0
Provisions		12,331	0
Trade payables		0	23,956
Payables to group enterprises		104,302	6,381,035
Joint taxation contribution payable		0	26,500
Other payables		884,900	338,632
Current liabilities other than provisions		989,202	6,770,123
Liabilities other than provisions		989,202	6,770,123
Equity and liabilities		30,240,504	35,099,999
Contingent liabilities	7		
Assets charged and collateral	8		

Parent statement of changes in equity for 2017/18

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Total DKK
Equity beginning of year	500,000	8,898,703	18,931,173	28,329,876
Profit/loss for the year	0	648,292	260,803	909,095
Equity end of year	500,000	9,546,995	19,191,976	29,238,971

Notes to parent financial statements

	2017/18 DKK	2016/17 DKK
1. Staff costs		
Wages and salaries	1,858,985	1,163,275
Other social security costs	119,695	3,791
Other staff costs	102,061	3,600
	2,080,741	1,170,666
Average number of employees	3	1
	2017/18 DKK	2016/17 DKK
2. Other financial income		
Financial income arising from group enterprises	259,593	339,701
Exchange rate adjustments	53	0
	259,646	339,701
	2017/18 DKK	2016/17 DKK
3. Other financial expenses		
Financial expenses from group enterprises	32,164	169,601
Other interest expenses	3,677	22
Exchange rate adjustments	0	14
Other financial expenses	4,490	720
	40,331	170,357
	2017/18 DKK	2016/17 DKK
4. Tax on profit/loss for the year		
Change in deferred tax	19,600	(6,169)
Adjustment concerning previous years	(9,072)	0
Refund in joint taxation arrangement	(217,000)	(55,733)
	(206,472)	(61,902)

Notes to parent financial statements

	Acquired patents DKK
	<u> </u>
5. Intangible assets	
Cost beginning of year	489,654
Additions	315,857
Cost end of year	<u>805,511</u>
Amortisation and impairment losses beginning of year	(115,644)
Amortisation for the year	(161,103)
Amortisation and impairment losses end of year	<u>(276,747)</u>
Carrying amount end of year	<u>528,764</u>
	Invest- ments in group enterprises DKK
	<u> </u>
6. Fixed asset investments	
Cost beginning of year	15,642,286
Additions	400,000
Disposals	(3,448,752)
Cost end of year	<u>12,593,534</u>
Revaluations beginning of year	9,898,704
Share of profit/loss for the year	1,606,139
Dividend	(1,000,000)
Reversal regarding disposals	(957,848)
Revaluations end of year	<u>9,546,995</u>
Carrying amount end of year	<u>22,140,529</u>

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

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

Notes to parent financial statements

8. Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties.

For collateral for payment of supplier debt, a guarantee is provided for 500 TGBP (4,202 T.DKK).

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.

Impairment losses on financial assets

Impairment losses on financial assets comprise impairment losses on financial assets which are not measured at fair value on a current basis.

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.

Accounting policies

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.

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.

Accounting policies

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.

Other investments

Other investments comprise unlisted investments measured at the lower of cost and net realisable value.

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.

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

Accounting policies

their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

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.

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.