

ODENSE MARITIME TECHNOLOGY A/S

Sverigesgade 4
5000 Odense C

Annual Report
1 July 2017 – 30 June 2018

**The Annual Report was presented and adopted at the Annual General Meeting of the Company on
15 October 2018**

Per Lønborg-Andersen

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Corporate Information

Company	ODENSE MARITIME TECHNOLOGY A/S	
	Sverigesgade 4	
	5000 Odense C	
	CVR no.:	33074964
	Financial year:	01/07/2017-30/06/2018
Bank	Danske Bank, Department: Holmens Kanal	
	Holmens Kanal 2	
	1090 København K	
	DK Danmark	
Auditor	PRICEWATERHOUSECOOPERS	
	STATSAUTORISERET REVISIONSPARTNERSELSKAB	
	Strandvejen 44	
	2900 Hellerup	
	DK Danmark	
	CVR no.:	33771231
	Production unit no.:	1016959517

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Odense Maritime Technology A/S for the financial year 1 July 2017 – 30 June 2018.

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 of the Company at 30 June 2018 and of the results of the Company operations and cash flows for the financial year 1 July 2017 – 30 June 2018 in accordance with the Danish Financial Statements Act.

Further, in our opinion, the information provided in Management's Review is consistent with the Financial Statements.

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

Odense, on 15 October 2018

Executive Board

Peter Kåre Groes Christiansen

Board of Directors

Erik Kristian Hansen

Tom Sten Behrens-Sørensen

Poul Præstegaard Skadhede

Peter Kåre Groes Christiansen

Independent Auditor's Report

To the Shareholders of Odense Maritime Technology 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 2018, and of the results of the Company's operations for the financial year 1 July - 30 June 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Odense Maritime Technology A/S for the financial year 1 July - 30 June 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

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 judgment and maintain professional skepticism throughout the audit. We also:

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

Independent Auditor's Report

- 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, 15 October 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Jacob Fromm Christiansen
State Authorised Public Accountant
mne18628

Kim Danstrup
State Authorised Public Accountant
mne32201

Management's Review

Main activity

Odense Maritime Technology A/S (OMT) was founded by Valcon Business Developments A/S in September 2010 as a spin-off from Odense Stål Skibsværft (OSS).

The unique strength of OMT lies in the maritime technological expertise and experience, which were gained in OSS, and which are continued in the team of ship architects, ship engineers, project managers and consultants working in OMT, who are specialists within ship design, ship building, concepts for rebuilding and retrofitting of ships, ship licenses, ship repairs and outsourcing in the maritime industry.

Development in activities and financial affairs

OMT has worked on several major client projects in APAC, Europe and North America throughout the financial year and has realised a turnover of DKK 84.9 million compared with DKK 205.8 million the year before.

Net loss for the year amounts to some DKK 39.0 million, compared with net profit DKK 8.5 million the previous year. Management finds the Company's annual result unsatisfactory. The result can be attributed to expected orders not materialising in Q1 and Q2, which resulted in cost reductions as well as increased expenditures in product development, sales and marketing. The company was profitable in Q4.

As a consequence of the cost reduction effort, the average number of fulltime employees in the financial year has decreased to 73 compared with 97 the previous year.

At the end of the year, the subsidiary in Shanghai was closed down. All costs regarding this are included in the 2017/18 accounts. APAC customers will forthcoming be served from the head office in Europe.

The overall financial situation is satisfactory with an adequate cash situation and a improved order book. The company expects a break even P/L in 2018/2019.

The Company's knowledge resources

The Company's opportunities to retain and recruit a highly qualified staff is critical to the continued development of the Company.

The Company keeps continuous focus on a strengthened recruitment platform.

The work continues on creating concepts and expanding competences to strengthen the value of our services to our clients. As an indication of the strength of our competences, we are happy to report that one of OMT's designs – the ice-reinforced feeder container ship Vistula Mærsk – was awarded the prestigious "Danish Ship of the Year" for its innovative design.

Management's Review

Special risks

The Company's exposure to a specialised market for the sale of consulting services within ship design, ship building, etc. makes the Company dependent on the development in this industry. The commercial ship design segment (container and bulk carriers) served by OMT continues to be depressed. The Navy and special purpose segment continues to be very interesting for OMT, as does the advisory and consulting segment.

By virtue of its business area, the Company is a party to disputes which are not unusual for the business. Management currently assesses and makes provision for such disputes. See Note 1

Special financial risks

As a consequence of several major client projects outside EUR, the Company is subject to special currency risks with respect to the development in these currencies. The Company operates a currency hedging programme to balance the exchange rate risks in connection with these sales.

As a natural part of its business, the company has to provide various performance bonds to clients. These are established through the company's financial institutions.

Apart from this, the Company does not have any special financial risks.

Financial Highlights

	2017/18 DKK'000	2016/17 DKK'000	2015/16 DKK'000	2014/15 DKK'000	2013/14 DKK'000
Key figures					
Net revenue	84,916	205,828	222,051	269,799	166,406
Gross profit/loss	13,204	82,138	93,470	121,282	86,459
Operating profit/loss	-44,717	11,816	17,533	27,300	21,550
Net financials	-4,521	-1,190	-2,885	-2,163	-5,424
Net profit/loss for the year	-38,981	8,526	11,510	19,231	11,877
Fixed assets	2,801	4,415	3,464	3,974	8,554
Current assets	70,713	125,102	119,619	139,770	70,687
Balance sheet total	73,556	129,518	123,084	143,744	79,241
Equity	5,849	44,572	41,146	39,573	18,660
Key figures					
Profit margin	-52.7%	5.7%	7.9%	10.1%	13.0%
Return on invested capital	-69.4%	18.0%	18.5%	26.3%	43.9%
Gross margin	15.5%	39.9%	42.1%	45.0%	52.0%
Solvency ratio	8.0%	34.4%	33.4%	27.5%	23.5%
Return on equity	-154.6%	19.9%	28.5%	66.0%	86.9%
Average number of employees	73	97	103	108	77

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.

Income Statement as at 1 July 2017 – 30 June 2018

	Note	2017/18 DKK	2016/17 DKK
Net revenue		84,915,725	205,827,868
External expenses		-71,711,907	-123,689,383
Gross profit/loss		13,203,818	82,138,485
Staff expenses	2	-57,657,761	-69,971,693
Amortisation, depreciation and impairment losses		-262,660	-350,598
Operating profit/loss		-44,716,603	11,816,194
Income from investments in subsidiaries and associates	3	-2,532,794	1,258,166
Other financial income		1,394,285	0
Other financial expenses	4	-3,383,155	-2,447,747
Profit/loss from ordinary activities before tax		-49,238,267	10,626,613
Tax on profit/loss for the year	5	10,256,987	-2,100,865
Net profit/loss for the year		-38,981,280	8,525,748
Proposed distribution of profit	6		

Balance Sheet as at 30 June 2018

	Note	2017/18 DKK	2016/17 DKK
Assets			
Other fixtures and fittings, tools and equipment		0	377,441
Total property, plant and equipment	7	0	377,441
Investments in subsidiaries	8	2,077,105	3,458,110
Investments in Associates	8	350,000	0
Deposits		374,193	579,713
Total fixed asset investments		2,801,298	4,037,822
Total fixed assets		2,801,298	4,415,264
Trade receivables		23,548,123	58,174,412
Contract work in progress	9	4,064,968	1,414,090
Receivables from group enterprises		10,199,614	2,984,790
Deferred tax assets	10	138,423	168,587
Other receivables		9,096,317	9,230,133
Prepayments	11	944,707	1,485,134
Total receivables		47,992,152	73,457,146
Other securities and investments		18,256,661	29,990,628
Cash at bank and in hand		4,306,529	21,654,592
Total current assets		70,555,342	125,102,366
Total assets		73,356,640	129,517,630

Balance Sheet as at 30 June 2018

	Note	2017/18 DKK	2016/17 DKK
Liabilities and equity			
Registered capital, etc.		4,750,000	4,750,000
Reserve for net revaluation under the equity method		92,559	2,616,539
Retained earnings		1,006,357	37,205,091
Total equity		5,848,916	44,571,630
Prepayments received from customers	9	1,499,008	15,586,434
Trade payables		11,836,139	9,179,188
Payables to group enterprises		686,907	9,724,744
Other payables, including taxes and other social security expenses	12	53,485,670	50,455,634
Total short-term debt.....		67,507,724	84,946,000
Total payables		67,507,724	84,946,000
Total liabilities and equity		73,356,640	129,517,630
Uncertainty relating to recognition and measurement	1		
Contingent liabilities	13		
Collateral and assets charged as collateral	14		
Related parties and ownership	15		
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Statement of changes in equity

Total equity

	Company capital DKK	Retained earnings DKK	Reserve for net revaluation under the equity methods DKK	In total DKK
Balance at the beginning of the year	4,750,000	37,205,091	2,616,539	44,571,630
Value adjustment of hedged future cash flows at the beginning of the year	0	253,568	0	253,568
Exchange adjustments, foreign subsidiaries	0	0	4,998	4,998
Allocation of profits	0	-36,452,302	-2,528,978	-38,981,280
Equity at the end of the year	4,750,000	1,006,357	92,559	5,848,916

Registered capital, etc.

The share capital consists of 4,750,000 shares of a nominal value of DKK 1. The shares are not divided into classes. No shares carry special rights.

Changes in the share capital in the past five financial years:

	DKK
Initial share capital at 5 August 2010	500,000
Increase of capital increase at 20 December 2011	100,000
Increase of capital increase at 25 June 2012	150,000
Increase of capital increase at 25 April 2013	4,000,000
Share capital at the end of the year	4,750,000

Notes

1. Uncertainty relating to recognition and measurement

By virtue of its business area, the Company is a party to disputes which are not unusual for the business. Management currently assesses and makes provision for such disputes. In connection with the completion of a project, Odense Maritime Technology A/S received a significant claim for damages from the customer. However, the claim received is neither justified nor documented, and the Company has categorically refused to accept it. Odense Maritime Technology A/S has advanced a counterclaim of a corresponding size against the customer. The parties strongly disagree, and the cause of the matter is subject to great uncertainty, which also implies uncertainty as to how the amount of any damages and insurance cover should, if relevant, be calculated.

2. Staff expenses

	2017/18	2016/17
	DKK	DKK
Wages and salaries	-57,082,742	-68,870,104
Other social security expenses	-498,552	-633,903
Other staff expenses	-76,467	-467,686
	-57,657,761	-69,971,693

Remuneration to the executive board and the board of directors amounts to DKK 2,516,000 (DKK 2,516,000 in 2016/17).

Average number of full-time employees: 73 (97 in 2016/17).

3. Income from investments in subsidiaries and associates

	2017/18	2016/17
	DKK	DKK
Odense Maritime Technology (Shanghai) Co. Ltd.	-2,955,857	936,643
Odense Maritime Technology (India) Private Limited	423,063	321,523
	-2,532,794	1,258,166

Notes

4. Other financial expenses

	2017/18 DKK	2016/17 DKK
Interest expenses from group enterprises	0	-34,190
Other financial expenses	-3,383,155	-2,413,557
	-3,383,155	-2,447,747

5. Tax on profit/loss for the year

	2017/18 DKK	2016/17 DKK
Current tax	10,215,631	-1,836,284
Changes in current tax previous year	0	163,632
Changes in deferred tax previous years	0	-163,632
Changes in deferred tax	41,356	-264,581
	10,256,987	-2,100,865

6. Proposed distribution of dividends

	2017/18 DKK	2016/17 DKK
Reserve for net revaluation under the equity method	-2,528,978	1,258,166
Retained earnings	-36,452,302	7,267,582
Total	-38,981,280	8,525,748

Notes

7. Total property, plant and equipment

	Equipment DKK	Hardware DKK	Leasehold improvements DKK	Other fixtures and fittings equipment DKK
Cost at the beginning of the year	1,542,739	396,058	20,808	1,956,605
Acquisitions during the year	0	0	0	0
Carrying amount at the end of the year	1,542,739	396,058	20,808	1,956,605
Amortisation, depreciation and impairment losses at the beginning of the year	-1,165,297	-396,058	-20,808	-1,582,163
Amortisation, depreciation and impairment losses during the year	-377,441	0	0	-377,441
Amortisation, depreciation and impairment losses at the end of the year	-1,542,739	-396,058	-20,808	-1,956,605
Carrying amount at the end of the year	0	0	0	0

Notes

8. Total fixed asset investments

	Investments in associates DKK	Investments in subsidiaries DKK
Cost at the beginning of the year	0	841,580
Acquisitions during the year	350,000	9
Cost at the end of the year	350,000	841,589
Value adjustments at the beginning of the year	0	2,616,530
Exchange adjustments	0	9,003
Results for the year	0	-2,532,794
Value adjustments at the end of the year	0	92,559
Total	350,000	934,149
Negative net asset values are set off against receivables from group enterprises.	0	1,142,956
Carrying amount at the end of the year	350,000	2,077,105

Investments in subsidiaries comprise:

	Ownership share	Equity	Results for the year
OMT Canada INC	100%	0	0
OMT UK Limited	100%	9	0
Odense Maritime Technology (Shanghai) Co. Ltd.	100%	-1,142,956	-2,955,857
Odense Maritime Technology (India) Private Limited	100%	2,077,095	423,063

9. Prepayment and contract work in progress

	2017/18 DKK	2016/17 DKK
Selling price of production	4,064,968	1,414,090
Payments on account	-1,499,008	-15,586,434
	2,565,960	-14,172,344
Contract work in progress	5,692,337	1,414,090
Prepayments received from client	-3,126,377	-15,586,434

Notes

10. Deferred tax asset

	2017/18	2016/17
	DKK	DKK
Goodwill	267,356	401,034
Prepayments	-207,836	-326,729
hedged future cash flows	0	71,519
Leasehold improvement	78,903	22,168
Deferred tax assets	138,424	168,587

11. Prepayments

	2017/18	2016/17
	DKK	DKK
Rent	275,174	440,120
IT cost	134,804	492,128
Insurance and guarantee cost	428,545	218,512
Other cost	106,184	334,374
	944,707	1,485,134

12. Other payables

Financial derivatives

	2017/18	2016/17
	DKK	DKK
Equity	0	-253,568
Deferred Tax	0	-71,519
Other payables	0	-325,088

Notes

13. Contingent liabilities

The Company has entered into an operating lease agreement for the premises Sverigesgade 4, Odense. The periods of notice for the two leases are 6 months. Rent amounts to DKK 702 thousand of which 702 falls due in the financial year 2018/19.

The Company is jointly taxed with other enterprises in the Valcon Business Development A/S group. As a jointly taxed company, not wholly-owned, the Company has limited and secondary liability for Danish corporation taxes in the joint taxation group. The total amount of corporation tax payable is disclosed to SKAT in the Annual Report of Valcon Business Development A/S, CVR no. 28 68 10 11, which is the management company in respect of joint taxation. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

14. Collateral and assets charged as collateral

The Company's bank has raised a performance bond made to one of the Company's clients of CAD 14,502,623 equalling DKK 70.0 million. The performance bond expires on 30 June 2020 with the possibility of two extensions of one year each.

The Company guarantees the performance bond to the bank.

15. Related parties and ownership

Information relating to owners

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Valcon Business Development A/S, Meldahlsgade 5, 2., 1613 Copenhagen,
OMT Medarbejder Holding ApS, c/o Valcon A/S, Meldahlsgade 5, 2., 1613 Copenhagen,
Clavis (HK) Limited, Suite 1309 Asia Standard Tower, 59-65, Queens road Central, Hong Kong
Kuja Holding ApS, CVR-nr. 36939745, Hestehavevej 79, 4720 Præstø

Information relating to group

The Company's Financial Statements are included in the Consolidated Financial Statements of Valcon Business Development A/S, Meldahlsgade 5, 2., 1613 Copenhagen, CVR no. 28 68 10 11

Subsidiary:

OMT UK Limited.
OMT Canada INC, Registry no. 3274256
Odense Maritime Technology (Shanghai) Co. Ltd.
Odense Maritime Technology (India) Private Limited

16. Events after the balance sheet date

No events materially influencing the Company's financial position as at 30 June 2018 have occurred.

Notes

17. Accounting policies

The Annual Report has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium sized class C enterprises.

The accounting principles are consistent with those of last year.

In accordance with section 112 (1) of the Danish Financial Statements Act, consolidated financial statements have not been prepared. In accordance with section 86 (4) of the Danish Financial Statements Act, a cash flow statement has not been prepared.

The Financial Statements are presented in Danish kroner.

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.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

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.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently re-measured at their fair values. Positive and negative fair values of derivative financial instruments are recognised in other receivables and other payables, respectively.

Changes in the fair value of derivative financial instruments, classified as and meeting the criteria for

Notes

hedging the fair value of a recognised asset or liability, are recognised in the income statement together with changes in the fair value, if any, of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments, classified as and meeting the conditions of hedging future assets and liabilities, are recognised in receivables or payables and in equity. Income and expenses related to such hedging transactions are transferred from equity on realisation of the hedged item and recognised in the same item as the hedged item.

Income Statement

Net revenue

Net revenues from services are recognised at the rate of completion of the service, which means that revenue equals the selling price of the service completed (the percentage-of-completion method). This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company.

Net revenue comprises re-invoicing of work carried out by subsuppliers and other expenses.

External expenses

External expenses comprise expenses related to sales, advertising, administration, premises, bad debts, operating leases, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as holiday pay and staff welfare expenses.

Financial income and expenses

Financial income and expenses include interest income and expenses, realised and unrealised capital gains and losses on debt and transactions in foreign currencies as well as allowances and surcharges under the Danish Tax Prepayment Scheme, etc.

Tax on profit/loss for the year

Odense Maritime Technology A/S is subject to the Danish rules on compulsory joint taxation applicable for the Valcon Business Development A/S group's Danish subsidiaries. Subsidiaries are included in the joint taxation in the period when the parent has controlling interest.

The Company's parent company, Valcon Business Development A/S, acts as administration company in relation to the joint taxation and thus settles all corporate tax payments with the tax authorities.

The current Danish corporation tax is allocated among the jointly taxed companies in proportion to their respective taxable income. Companies contributing a tax loss being set off against taxable income in another company receive a cash payment equal to the tax value of the loss from the Company using the loss to reduce its own taxable income.

Tax for the year that comprises current joint taxation contributions and changes in deferred tax is recognised in the Income Statement.

Notes

Balance Sheet

Property, plant and equipment

Other fixtures and fittings, tools and equipment and leasehold improvements are measured at cost less accumulated depreciation and less any accumulated impairment losses.

The basis of depreciation is cost less any deducted residual value after the end of the useful life of the asset. Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Cost of a total asset is divided into separate components that are depreciated separately if the useful life of the individual components are different.

Depreciation takes place on a straight line basis and any residual value, and based on an evaluation of the expected useful life:

Other fixtures and fittings, tools and equipment: 3-5 years
Leasehold improvements: 3-5 years

Profit or loss deriving from the sales of tangible assets is measured as the difference between the sales price less selling costs and the carrying amount at the time of the sale. Profits and losses are recognised in the Income Statement as other operating income or other expenses.

Investments in subsidiaries

Investments in subsidiaries are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the parent company's accounting policies with deduction or addition of unrealised intercompany profits and losses and with addition and deduction of any remaining value of positive or negative goodwill determined in accordance with the acquisition method.

Investments in subsidiaries with negative net asset values are measured at DKK 0, and any amounts owed by such enterprises are written down by the parent company's share of the negative net asset value, if the amount owed is deemed irrecoverable. If the negative net asset value exceeds the amounts owed, the remaining amount is recognised under provisions if the parent company has a legal or a constructive obligation to cover the liabilities of the enterprise.

Net revaluation of investments in subsidiaries is recognised under equity in the reserve for net revaluation under the equity method to the extent that the carrying amount exceeds cost.

Notes

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 or the group of assets is written down. If so, the asset or the group of assets is written down to its lower recoverable amount.

Recoverable amount for the asset is determined as the highest value of net sales price and the net present value. Net present value is determined as the present value of expected net cash flows from the use of the asset or the group of assets.

Receivables

Receivables are recognised at the lower of amortised cost.

Provisions for estimated bad debts are made based on an individual impairment assessment of a receivable or group of receivables.

Contract work in progress

Contract work in progress is recognised according to the production method at the selling price of the work carried out including expenses and less amounts invoiced on account.

Contract work in progress are recognised as financial income and expenses in the balance sheet.

Net assets comprise the sum of contract work in progress in which the selling price exceeds invoicing on account of work carried out. Net payables comprise the sum of contract work in progress in which invoicing on account exceeds the selling price of work carried out.

Prepayments

Prepayments recognised under assets comprise expenses incurred concerning the following financial year.

Other securities and investments

Securities and investments are placed under current assets and includes listed bonds, which are measured at market price at the balance sheet date.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and short-term securities with a duration less than three months that are readily convertible to cash and are subject to an insignificant risk of changes in value.

Equity – dividend

Proposed dividends for the year are recognised as a liability when approved by the Annual General Meeting (declaration date). Dividend proposed for the year is disclosed as a separate equity item.

Corporation tax and deferred tax

Receivables and payable joint taxation contributions are recognised in the balance sheet in receivables/payables from group enterprises.

Notes

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the accounting and tax bases of assets and liabilities. However, deferred income tax of temporary differences related to non-deductible goodwill, office premises or other items where temporary differences occur at the time of acquisition without influencing results or taxable income is not recognised. In case the value for tax purposes can be determined following alternative tax rules, deferred tax is measured 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 losses to be carried forward are recognised at the expected value of their utilisation, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity and jurisdiction.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation in the countries in question 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.

Debt

Financial debts are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, financial debts are measured at amortised cost.

Other debts are measured at net realisable value.

Key figures and financial highlights

Ratios stated in financial highlights have been prepared as follows:

Profit margin:	$\text{Operating profit/loss} \times 100 / \text{net revenue}$
Invested capital:	Total assets less cash and cash equivalents and other interest-bearing assets (including shares)
Gross margin:	$\text{Gross profit} \times 100 / \text{net revenue}$
Solvency ratio:	$\text{Equity at the end of the year} \times 100 / \text{total liabilities and equity at the end of the year}$
Return on equity:	$\text{Net profit for the year} \times 100 / \text{average equity}$
Return on invested capital:	$\text{Operating profit/loss} \times 100 / \text{average invested capital}$