
Odense Maritime Technology A/S

Sverigesgade 4, DK-5000 Odense C

Annual Report for 1 July 2020 - 30 June 2021

CVR No 33 07 49 64

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
12/11 2021

Per Lønborg-Andersen
Chairman of the General
Meeting



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Odense Maritime Technology A/S for the financial year 1 July 2020 - 30 June 2021.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 30 June 2021 of the Company and of the results of the Company operations for 2020/21.

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

Odense, 12 November 2021

Executive Board

Peter Kåre Groes Christiansen

Board of Directors

Nils Christian Wang

Peter Kåre Groes Christiansen

Poul Præstegaard Skadhede

Jens Maaløe

Thomas Knudsen

Independent Auditor's Report

To the Shareholders of Odense Maritime Technology A/S

Opinion

We have audited the Financial Statements of Odense Maritime Technology A/S for the financial year 1 July 2020 - 30 June 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The Financial Statements are 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 2021 and of the results of the Company's operations for the financial year 1 July 2020 - 30 June 2021 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 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.

Emphasis of Matter

We draw attention to note 1 of the Financial statements, which describes the uncertainty relating to recognition and measurement of the outcome of disputes the Company is party to. Our conclusion is not modified in respect of this matter.

Management's responsibilities for the Financial Statements

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

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

Independent Auditor's Report

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

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

Independent Auditor's Report

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Hellerup, 12 November 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Jacob Fromm Christiansen

statsautoriseret revisor

mne18628

Kim Danstrup

statsautoriseret revisor

mne32201

Company Information

The Company

Odense Maritime Technology A/S
Sverigesgade 4
DK-5000 Odense C

CVR No: 33 07 49 64
Financial period: 1 July - 30 June
Municipality of reg. office: Odense

Board of Directors

Nils Christian Wang
Peter Kåre Groes Christiansen
Poul Præstegaard Skadhede
Jens Maaløe
Thomas Knudsen

Executive Board

Peter Kåre Groes Christiansen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

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

	2020/21	2019/20	2018/19	2017/18	2016/17
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	72,017	94,516	71,112	84,916	205,828
Gross profit/loss	54,073	67,669	39,445	13,204	82,138
Operating profit/loss	7,467	21,334	-2,885	-44,717	-1,190
Net financials	-2,561	-5,097	-2,514	-4,521	-1,190
Net profit/loss for the year	3,093	12,443	-4,315	-38,981	8,526
Balance sheet					
Balance sheet total	135,425	73,658	61,041	73,556	129,518
Equity	10,515	13,879	1,534	5,849	44,572
Number of employees	52	47	48	73	97
Ratios					
Gross margin	75.1%	71.6%	55.5%	15.5%	39.9%
Profit margin	10.4%	22.6%	-4.1%	-52.7%	-0.6%
Return on invested capital	5.5%	29.0%	-4.7%	-60.8%	-0.9%
Solvency ratio	7.8%	18.8%	2.5%	8.0%	34.4%
Return on equity	25.4%	161.5%	-116.9%	-154.6%	38.3%

Management's Review

Key activities

Odense Maritime Technology A/S (OMT) is the premium maritime consulting firm in Europe with a core focus on delivering smart maritime defense solutions. OMT has extensive fields of expertise within engineering, procurement, construction and operations within the maritime sector.

The unique strength of OMT lies in the maritime technological expertise and experience 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 the year

The income statement of the Company for 2020/21 shows a profit of DKK 3,092,910, and at 30 June 2021 the balance sheet of the Company shows equity of DKK 10,515,082.

OMT has worked on several major client projects in APAC and Europe throughout the financial year and has realised a turnover of DKK 72.0 million compared with DKK 94.5 million the year before.

Net profit for the year amounts to DKK 3.1 million, compared with DKK 12.4 million the previous year. The reduced result is mainly due to postponement of projects, often due to the worldwide Covid-19 situation. Because of this, management finds the Company's annual result satisfactory.

The Company's expectations for the future will rely on the development in the Covid-19 pandemic and the measures taken by the governments around the world to mitigate the effects of eruption. The Company's management has with different scenarios tried to assess the possible Covid-19 effect on the Company's expected earnings, however it is still too early to comment on what the consequences will be.

The average number of fulltime employees in the financial year has increased to 52 compared to 47 in the previous year. OMT expects the number of employees to increase further in the coming financial year.

The company expects a positive development in the result for the coming financial year.

Capital 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, OMT has been selected as advisor in several large defence sector projects globally.

Management's Review

Special risks

The Company's exposure to a specialized market for the sale of consulting services within ship design, ship building, etc. makes the Company dependent on the development in this industry. However, there is a positive development within the defense and special purpose segments as well as the advisory segment, which all are the present focus areas of OMT.

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.

Uncertainty relating to recognition and measurement

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 and is. See Note 12. Furthermore, we refer to note 1 in relation to uncertainties regarding disputes.

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

External environmental impact and measures to prevent or mitigate their damage cf. Årsregnskabsloven §99

Odense Maritime Technology A/S is a part of V Business Development A/S and is referring to the annual report and management's review of this company in respect of the group's external environmental impact and measures to prevent or mitigate their damage.

Subsequent events

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

Income Statement 1 July - 30 June

	Note	2020/21 DKK	2019/20 DKK
Revenue		72,017,419	94,515,685
Work on own account recognised in assets		1,988,010	1,686,796
Other external expenses		-19,931,968	-28,533,159
Gross profit/loss		54,073,461	67,669,322
Staff expenses	2	-46,606,948	-46,334,899
Profit/loss before financial income and expenses		7,466,513	21,334,423
Income from investments in subsidiaries		-236,593	-833,393
Financial income		691,282	3,182,658
Financial expenses		-3,015,610	-7,446,644
Profit/loss before tax		4,905,592	16,237,044
Tax on profit/loss for the year	3	-1,812,682	-3,794,425
Net profit/loss for the year		3,092,910	12,442,619

Balance Sheet 30 June

Assets

	Note	2020/21 DKK	2019/20 DKK
Development projects in progress		0	1,686,796
Intangible assets	4	0	1,686,796
Investments in subsidiaries	5	734,566	1,056,046
Investments in associates	6	0	0
Deposits	7	574,632	561,692
Fixed asset investments		1,309,198	1,617,738
Fixed assets		1,309,198	3,304,534
Trade receivables		22,177,955	22,042,701
Contract work in progress	8	1,726,501	325,273
Receivables from group enterprises		4,126,815	0
Other receivables		67,413,236	4,064,266
Deferred tax asset	9	171,222	247,507
Prepayments	10	1,298,042	1,257,628
Receivables		96,913,771	27,937,375
Other securities and investments		18,622,094	18,700,008
Cash at bank and in hand		18,580,429	23,716,374
Currents assets		134,116,294	70,353,757
Assets		135,425,492	73,658,291

Balance Sheet 30 June

Liabilities and equity

	Note	2020/21 DKK	2019/20 DKK
Share capital	11	4,750,000	4,750,000
Reserve for development costs		0	1,686,796
Retained earnings		5,765,082	7,442,088
Equity		10,515,082	13,878,884
Other payables		4,561,734	3,773,260
Long-term debt	13	4,561,734	3,773,260
Prepayments received from customers		9,394,769	3,132,435
Trade payables		1,164,424	1,834,625
Payables to group enterprises		851,371	4,643,073
Payables to group enterprises relating to corporation tax		1,736,397	0
Other payables	13	107,201,715	46,396,014
Short-term debt		120,348,676	56,006,147
Debt		124,910,410	59,779,407
Liabilities and equity		135,425,492	73,658,291
Uncertainty relating to recognition and measurement	1		
Distribution of profit	12		
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Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 July	4,750,000	1,686,796	7,442,088	13,878,884
Exchange adjustments	0	0	-43,596	-43,596
Purchase of treasury shares	0	0	-6,413,116	-6,413,116
Development costs for the year	0	-1,686,796	1,686,796	0
Net profit/loss for the year	0	0	3,092,910	3,092,910
Equity at 30 June	4,750,000	0	5,765,082	10,515,082

Notes to the Financial Statements

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 material 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.

	2020/21 DKK	2019/20 DKK
2 Staff expenses		
Wages and salaries	46,239,277	46,052,310
Other social security expenses	367,671	282,589
	46,606,948	46,334,899
Average number of employees	52	47

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

3 Tax on profit/loss for the year

Current tax for the year	1,736,397	5,549,199
Deferred tax for the year	-492,774	-1,754,774
Adjustment of tax concerning previous years	0	-1,749,962
Adjustment of deferred tax concerning previous years	569,059	1,749,962
	1,812,682	3,794,425

Notes to the Financial Statements

4 Intangible assets

	Development projects in progress DKK
Cost at 1 July	1,686,796
Additions for the year	1,988,010
Disposals for the year	-3,674,806
Cost at 30 June	0
Carrying amount at 30 June	0

In relation to development projects, external directly attributable costs and as well as direct payroll cost (with addition of non-allocated internal costs related to IT etc.) are capitalized.

5 Investments in subsidiaries

	2020/21 DKK	2019/20 DKK
Cost at 1 July	841,589	841,589
Cost at 30 June	841,589	841,589
Value adjustments at 1 July	-928,499	2,887
Exchange adjustment	-43,596	-97,993
Net profit/loss for the year	-277,884	-833,393
Value adjustments at 30 June	-1,249,979	-928,499
Negative net asset values are set off against receivables from group enterprises	1,142,956	1,142,956
Carrying amount at 30 June	734,566	1,056,046

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Odense Maritime Technology (India) Private Limited	India	420,000	100%	734,566	-277,884
OMT UK Limited	UK	9	100%	0	0

Notes to the Financial Statements

	2020/21 DKK	2019/20 DKK
6 Investments in associates		
Cost at 1 July	350,000	350,000
Cost at 30 June	350,000	350,000
Value adjustments at 1 July	-350,000	-350,000
Value adjustments at 30 June	-350,000	-350,000
Carrying amount at 30 June	0	0

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Maritime Equity Partners ApS (Annual Report year end 30 June 2020)	Denmark	200,000	25%	-6,077,019	-2,018,737

7 Other fixed asset investments

	Deposits DKK
Cost at 1 July	561,692
Additions for the year	12,940
Cost at 30 June	574,632
Carrying amount at 30 June	574,632

8 Contract work in progress

Selling price of work in progress	1,726,501	325,273
Payments received on account	-9,394,769	-3,132,435
	-7,668,268	-2,807,162

Notes to the Financial Statements

	2020/21 DKK	2019/20 DKK
9 Deferred tax asset		
Deferred tax asset at 1 July	247,507	242,245
Changes in deferred tax	492,774	1,754,774
Changes in deferred tax previous years	-569,059	-1,749,512
Deferred tax asset at 30 June	171,222	247,507

10 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

11 Share capital

The share capital consists of 4,750,000 shares of a nominal value of DKK 1. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

12 Distribution of profit

Reserve for net revaluation under the equity method	0	95,106
Retained earnings	3,092,910	12,347,513
	3,092,910	12,442,619

13 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

Other payables

Between 1 and 5 years	4,561,734	3,773,260
Long-term part	4,561,734	3,773,260
Other short-term payables	107,201,715	46,396,014
	111,763,449	50,169,274

Notes to the Financial Statements

	2020/21 DKK	2019/20 DKK
14 Contingent assets, liabilities and other financial obligations		

Contingent assets

The Company's bank has raised a performance bond made to one of the Company's clients of CAD 14,502,623 equalling to DKK 73,2 million.

The Company guarantees the performance bond to the bank.

Other securities and investments have been pledged to cover the performance bonds.

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	1,488,374	505,000
	1,488,374	505,000

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of V Business Development A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on un-earned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

15 Related parties

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Notes to the Financial Statements

15 Related parties (continued)

Ownership

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

V Business Development A/S
OMT Employee Holding ApS
OMT Medarbejder Holding 1 ApS
Kåre Groes Christiansen Holding ApS
Odense Maritime Technology A/S

Consolidated Financial Statements

The company is included in the consolidated report for the parent company

Name	Place of registered office
V Business Development A/S	Copenhagen

The Group Annual Report of V Business Development A/S may be obtained at www.cvr.dk

Notes to the Financial Statements

16 Accounting Policies

The Annual Report of Odense Maritime Technology A/S for 2020/21 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2020/21 are presented in DKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of V Business Development A/S, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of V Business Development A/S, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Notes to the Financial Statements

16 Accounting Policies (continued)

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Revenue

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Notes to the Financial Statements

16 Accounting Policies (continued)

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

Other external expenses

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

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, work on own account recognised in assets and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Income from investments in subsidiaries and associates

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

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with V Business Development A/S. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

16 Accounting Policies (continued)

Balance Sheet

Intangible assets

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market of development opportunity in the Company can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item "Reserve for development costs".

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work.

Impairment of fixed assets

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

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

Investments in subsidiaries and associates

Investments in associates are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

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

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

Notes to the Financial Statements

16 Accounting Policies (continued)

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

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

Other fixed asset investments

Other fixed asset investments consist of deposits.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Contract work in progress

Contract work in progress regarding service is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Current asset investments

Current asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Notes to the Financial Statements

16 Accounting Policies (continued)

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

Equity

Treasury shares

Purchase and sales prices for treasury shares are recognised directly in retained earnings under equity. A reduction of capital by cancellation of treasury shares reduces the share capital by an amount equal to the nominal value of the shares and increases retained earnings. Dividend on treasury shares is recognised directly in equity under retained earnings.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Notes to the Financial Statements

16 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on invested capital	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$