Thermax Denmark ApS

Industrivej Nord 13, 7400 Herning

CVR no. 33 25 57 48

Annual report 2019/20

Approved at the Company's annual general meeting on 12 June 2020

Chairman:

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Contents

Statement by the Executive Board

The Executive Board has today discussed and approved the annual report of Thermax Denmark ApS for the financial year 1 April 2019 – 31 March 2020.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 31 March 2020 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 April 2019 – 31 March 2020.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Herning, 12 June 2020
Executive Board:

Rakesh Rampratap Tripathi	Rajendran Arunachalam

Independent auditor's report

To the shareholders of Thermax Denmark ApS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Thermax Denmark ApS for the financial year 1 April 2019 – 31 March 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 March 2020 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 April 2019 – 31 March 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and the Parent 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 Group or the Parent 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 as to 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 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 the financial statements.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and 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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the 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's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the 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 of the Management's review.

Esbjerg, 12 June 2020
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Morten Østergaard Koch State Authorised Public Accountant mne35420	Claes Jensen State Authorised Public Accountant mne44108

Management's review

Company details

Name	Thermax Denmark ApS
Address	Industrivej Nord 13
Zip code, city	DK-7400 Herning
CVR no.	33 25 57 48
Established	29 October 2010
Registered office	Herning
Financial year	1 April – 31 March
Executive Board	Rakesh Rampratap Tripathi
	Rajendran Arunachalam
Auditors	Ernst & Young Godkendt Revisionspartnerselskab
	Havnegade 33
	DK-6700 Esbjerg

Management's review

Financial highlights for the Group

DKKm	2019/20	2018/19	2017/18	2016/17	2015/16
Key figures					
Revenue	293	289	285	292	261
Operating profit	-27	-84	-16	4	2
Profit from financial income and expenses	-3	-4	-3	-4	-5
Profit before tax	-30	-88	-18	1	-3
Profit/loss for the year	**-26**	**-82**	**-17**	**-1**	**-3**
Non-current assets	84	95	154	140	147
Current assets	97	111	106	87	84
Total assets	**181**	**206**	**260**	**226**	**232**
Equity	**29**	**57**	**99**	**101**	**101**
Provisions	5	10	16	17	17
Non-current liabilities other than provisions	19	34	45	43	24
Current liabilities other than provisions	128	105	99	66	89
Cash flows from operating activities	-14	-1	-24	26	-7
Cash flows from investing activities	3	-10	-27	-4	-3
Portion relating to investment in property, plant and equipment	5	-6	-26	-2	-3
Cash flows from financing activities	15	32	28	0	-20
Total cash flows	**4**	**21**	**-21**	**22**	**-30**
Financial ratios					
Operating margin	-9.2	-29.1	-5.6	1.5	0.8
Equity ratio	16.1	27.5	38.0	44.5	43.7
Return on equity	-	-	-	-	-
Average number of full-time employees	**281**	**292**	**290**	**204**	**214**

For terms and definitions, please see the accounting policies.

Management's review

Operating review

Principal activities of the Company

Thermax Denmark ApS is a wholly owned subsidiary of Thermax Netherlands B.V., which in turn is wholly owned by Thermax Ltd., an Indian publicly listed company. The ultimate holding company of Thermax Ltd. is RDA Holdings Private Limited, Pune, India.

The main activity of the company is owning shares in the fully-owned daughter companies Danstoker A/S, Boilerworks A/S and Ejendomsanpartssselskabet Industrivej Nord 13" (estate company). All operational activities take place within these respective daughter companies.

Danstoker A/S is the parent company of and Danstoker Poland Sp. Z o.o.

The Thermax Denmark group designs, produces and sells boilers and relevant equipment to the energy market, including rebuilding and servicing of boilers. The product range of the Danstoker Group is continuously adapted to the 4 energy categories:

- Solid fuel market, mainly based biofuels
- Combined heat and power market
- Exhaust gas market
- Oil/gas market

The activity of "Ejendomsanpartsselskabet Industrivej Nord 13" is to own and lease estate, which is also the activity in the wholly owned subsidiary Boilerworks Properties ApS.

Development in activities and financial position

This year, Thermax Denmark has achieved overall results that are lower than provided for in the budget.

Result for the year before tax of DKK -30,358 thousand and after tax of DKK -25,967 thousand, respectively, is deemed not satisfactory by the Management.

Management is aware that the Company is subject to the capital loss regulations in the Danish Companies Act § 119. Management expects that the capital will be re-established through future earnings.

Danstoker A/S

Danstoker A/S has had a lower level of activity than expected within the biomass segment but has nevertheless been able to maintain its position as the absolute market-leader within medium-sized biofuel boilers in Scandinavia.

Within the market segment of oil and gas-fired boilers, Danstoker has maintained its position in the primary markets, and with the new setup in Poland we will develop a stronger position in the east part of Europe.

The market segments for combined heat and power boilers and for exhaust gas boilers have been more or less on budget in the year under review, and the after-sales services activities have developed positively.

Management's review

Operating review

Boilerworks A/S

Boilerworks A/S designs, produces and supplies high-pressure boilers and components to power stations, waste-fuelled and biomass-fuelled plants as well as petrochemical plants. Moreover, the Company manufactures a wide variety of heat exchangers and flue-gas coolers.

The maintenance of boiler systems is one of Boilerworks' specialties. This includes everything from simple repairs to extensive maintenance planning, modernisation and optimisations of the system, installation of new components and control systems.

Boilerworks is highly active within the area of service, and the Company has been able to maintain its position as one of the leading operators in Scandinavia within this segment.

Ejendomsanpartsselskabet Industrivej Nord 13

The activity of the company remains unchanged compared to 2018-19.

Future outlook

The overall volume of orders of the Thermax Denmark Group at the end of the financial year is satisfactory.

It is the aim of the Thermax Denmark Group to create 3 profitable, strong and individually independent sales companies in Danstoker A/S, Danstoker Poland Sp. Z o.o. and Boilerworks, all as an attractive workplace with competent employees, based on competitive products sold to professional co-operation partners and customers in selected markets, where such products are delivered in the quality and at the time and price agreed.

It is also the Group's aim to achieve optimal utilisation of the production facilities.

The Management of Thermax Denmark is of the opinion that the Group is not facing special risks in the long term, neither in its markets nor otherwise.

The growing, necessary global political focus on CO_2 will in the long term contribute to making our CO_2-neutral products within biofuels even more relevant and will contribute to securing the Thermax Denmark Group's continued positive development.

Satisfactory results are expected for the financial year 2020/21.

Social Responsibility

With regard to §99a of the Financial Statements Act on policies regarding Social Responsibility including human rights, climate- and environmental impact, social- and employee conditions and anti-corruption, it should be noted that the Thermax Denmark Group does not, so far, have such policies, as it has been assessed that there are no material risks within the five areas.

However, it is the declared intention of the Group in every respect and at any time to run a decent and responsible business, in compliance with all existing laws and regulations as well as with human rights.

Environmental conditions

The Thermax Denmark Group is devoted to environmental issues and is constantly striving to reduce the environmental impact resulting from the operations of the Group. The Group companies have no outstanding issues with the environmental authorities in complying with environmental permits and other environmental regulations.

Danstoker A/S hold the ISO 14001 certificate.

Management's review

Operating review

Gender diversity

The Executive Board of Thermax Denmark ApS wants to give equal access to leadership positions for members of both genders and believes that leaders should be chosen for their overall competence.

The company is not obliged to set targets for gender diversity since the Executive Board of Thermax Denmark ApS are filled by Thermax Group Executives and only consists of two people.

It is the Group’s policy that management positions are to be filled by the most qualified candidates, while both male and female management talents are trained and upgraded.

The Group expects that the policy specified here will result in an increase in the underrepresented gender. The Group strives to have both genders represented in the recruitment process for new hires.

Knowledge resources

The Thermax Denmark Group performs current development of processes and upgrading of employees.

Events after balance sheet date

It is not yet known to what extent the company will be affected by the COVID-19 outbreak, but management is monitoring the situation closely in order to adjust the cost level to any temporary decline in activity. At the time of approval of the annual report, it has not been possible for the company's management to provide a reliable estimate of the expected impact of COVID-19, but it is not considered to affect the company to such an extent that further incorporation in the 2019 annual report is required.

The Management is of the opinion that from the balance sheet date until today, no events have occurred which could alter the assessment of the annual report substantially.

Consolidated financial statements and parent company financial statements for the period 1 April 2019 - 31 March 2020

Income statement

		Consolidated		Parent company	
Note	DKK'000	2019/20	2018/19	2019/20	2018/19
2	Revenue	292,787	288,982	0	0
3	Production costs	-268,990	-319,503	0	0
	Gross profit	23,797	-30,521	0	0
3	Distribution costs	-24,686	-23,729	0	0
3,4	Administrative expenses	-28,428	-30,043	-107	-115
	Other operating income	2,298	157	0	0
	Operating profit	-27,019	-84,136	-107	-115
	Profit/loss from investments in subsidiaries	0	0	-25,429	-81,648
5	Financial income	2,766	1,999	0	5
6	Financial expenses	-6,103	-5,503	-614	-874
	Profit before tax	-30,356	-87,640	-26,150	-82,632
7	Tax on profit for the year	4,389	5,224	183	216
	Profit for the year	-25,967	-82,416	-25,967	-82,416

Consolidated financial statements and parent company financial statements for the period 1 April 2019 - 31 March 2020

Balance sheet

Note	DKK'000	Consolidated 2019/20	Consolidated 2018/19	Parent Company 2019/20	Parent Company 2018/19
	ASSETS				
	Non-current assets				
8	**Intangible assets**				
	Completed development projects	2,834	3,146	0	0
	Licences, software	933	1,878	0	0
	Goodwill	26,434	28,907	0	0
	Development projects in progress	1,508	0	0	0
		31,709	33,931	0	0
9	**Property, plant and equipment**				
	Land and buildings	41,469	48,001	0	0
	Plant and machinery	9,257	12,099	0	0
	Fixtures and fittings, tools and equipment	1,243	1,233	0	0
		51,969	61,333	0	0
10	**Investments**				
	Investments in subsidiaries	0	0	96,272	98,292
		0	0	96,272	98,292
	Total non-current assets	83,678	95,264	96,272	98,292
	Current assets				
	Inventories				
	Raw materials and consumables	16,863	16,800	0	0
	Semi-finished goods	3,137	2,634	0	0
	Finished goods	894	24	0	0
		20,894	19,458	0	0
	Receivables				
	Trade receivables	19,003	21,007	0	0
11	Deferred tax assets	0	411	378	213
12	Work in progress (customer-specific orders)	49,046	59,056	0	0
	Amounts owed by group companies	0	0	9,109	5,334
	Other receivables	3,367	2,841	0	0
13	Prepayments	1,413	1,711	0	0
		72,829	85,026	9,487	5,547
	Cash at bank and in hand	3,659	6,314	85	463
	Total current assets	97,382	110,798	9,572	6,010
	TOTAL ASSETS	181,060	206,062	105,844	104,302

Consolidated financial statements and parent company financial statements for the period 1 April 2019 - 31 March 2020

Balance sheet

Note	DKK'000	Consolidated 2019/20	Consolidated 2018/19	Parent Company 2019/20	Parent Company 2018/19
	EQUITY AND LIABILITIES				
	Equity				
	Share capital	130,000	130,000	130,000	130,000
	Retained earnings	-100,836	-73,279	-100,836	-73,279
	Total equity	29,164	56,721	29,164	56,721
	Provisions				
11	Deferred tax	1,448	5,640	0	0
14	Other provisions	3,141	4,649	0	0
	Total provisions	4,589	10,289	0	0
	Liabilities other than provisions				
15	**Non-current liabilities other than provisions**				
	Mortgage credit institutions	11,003	11,920	0	0
	Bank loans	5,601	18,663	5,601	18,663
	Lease liabilities	2,524	3,644	0	0
		19,128	34,227	5,601	18,663
	Current liabilities other than provisions				
15	Current portion of non-current liabilities other than provisions	15,273	15,061	13,068	13,064
	Bank loans	30,000	6,203	0	0
12	Prepayments received from customers	10,062	16,938	0	0
	Trade payables	21,725	23,033	0	0
	Amounts owed to group companies	15,571	18,362	57,904	12,630
	Corporation tax payable	0	0	0	3,029
	Other payables	35,418	25,065	107	196
	Deferred income	130	165	0	0
		128,179	104,827	71,079	28,919
	Total liabilities other than provisions	147,307	139,054	76,680	47,582
	TOTAL EQUITY AND LIABILITIES	181,060	206,062	105,844	104,302

1 **Accounting policies**
16 **Contractual obligations and contingencies, etc.**
17 **Mortgages and collateral**
18 **Related parties**

Consolidated financial statements and parent company financial statements for the period 1 April 2019 - 31 March 2020

Statement of changes in equity

		Consolidated		
Note	DKK'000	Share capital	Retained earnings	Total
	Equity at 1 April 2019	130,000	-73,279	56,721
19	Transfer, see "Proposed profit/loss appropriation"	0	-25,967	-25,967
	Exchange rate adjustments	0	-1,878	-1,878
	Change in value of adjustments of hedging instruments in investment	0	357	357
	Tax on equity transactions	0	-69	-69
	Equity at 31 March 2020	130,000	-100,836	29,164

		Parent		
Note	DKK'000	Share capital	Retained earnings	Total
	Equity at 1 April 2019	130,000	-73,279	56,721
19	Transfer, see "Proposed profit/loss appropriation"	0	-27,557	-25,967
	Exchange rate adjustments	0	-1,878	-1,878
	Change in value of adjustments of hedging instruments in investment	0	357	357
	Tax on equity transactions	0	-69	-69
	Equity at 31 March 2020	130,000	-100,836	29,164

The share capital comprises 129,999,545 shares of DKK 1 each. All shares rank equally.

Consolidated financial statements and parent company financial statements for the period 1 April 2019 - 31 March 2020

Cash flow statement, consolidated

DKK'000	2019/20	2018/19
Net profit for the year before tax	-30,356	-87,640
Depreciation for the year and gains from sales of fixed assets	8,805	67,517
Changes in equity before tax	-1,521	-506
Other adjustments	-2	490
Corporation tax paid, net	539	898
Cash flows from operations (operating activities) before changes in working capital	-22,535	-19,241
Change in inventories	-1,436	-87
Change in receivables and work in progress	11,787	738
Change in provisions	-1,508	-1,210
Change in current liabilities	-441	19,072
Cash flows from operating activities	-14,133	-728
Acquisition of intangible asset	-2,214	-3,894
Acquisition and disposal of property, plant and equipment, net	4,994	-5,781
Cash flows from investing activities	2,780	-9,675
Capital increase	0	40,171
Mortgage of new loans	0	5,019
Repayment of long-term debt	-15,099	-13,436
Cash flow overdraft	23,797	-16,047
Cash flows from financing activities	8,698	15,707
Net cash flows for the year	-2,655	5,304
Cash and cash equivalents at 1 April 2019	6,314	1,010
Cash and cash equivalents at 31 March 2020	3,659	6,314

Because of a clarifying interpretation, The Company has reclassified short-term bank facilities in the Cash Flow Statement. Previously bank facilities were presented as cash. Henceforward short-term bank facilities will be presented as a part of the financing activities. The comparative figures for 2018/19 have been adjusted accordingly. The Company's short-term bank facilities per 31 March 2020 amounts to DKK 30,000 thousand (2018/19: DKK 6,203 thousand)

Consolidated financial statements and parent company financial statements for the period 1 April 2019 - 31 March 2020

Notes to the financial statements

1 Accounting policies

The annual report of Thermax Denmark ApS for 2019/20 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement for the parent company is prepared, as the parent company's cash flows are part of the consolidated cash flow statement.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Because of a clarifying interpretation, The Company has reclassified short-term bank facilities in the Cash Flow Statement. Previously bank facilities were presented as cash. Henceforward short-term bank facilities will be presented as a part of the financing activities. The comparative figures for 2018/19 have been adjusted accordingly. The Company's short-term bank facilities per 31 March 2020 amounts to DKK 30,000 thousand (2018: DKK 6,203 thousand).

Consolidated financial statements

The consolidated financial statements are prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements, which are prepared according to the group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends and realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains if they do not reflect impairment.

In the consolidated financial statements, the accounting items of subsidiaries are recognised in full.

Business combinations

Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of are recognised in the consolidated income statement until the date of disposal. The comparative figures are not adjusted for acquisitions or disposals.

Gains or losses on disposal of subsidiaries and associates are stated as the difference between the sales amount and the carrying amount of net assets at the date of disposal plus non-amortised goodwill and anticipated disposal costs.

Acquisitions of enterprises are accounted for using the acquisition method, according to which the identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition. Provision is made for costs related to adopted and announced plans to restructure the acquired enterprise in connection with the acquisition. The tax effect of the restatement of assets and liabilities is taken into account.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset, not exceeding 20 years. Any excess of the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition (negative goodwill), representing an anticipated adverse development in the acquired enterprises, is recognised in the balance sheet as deferred income and recognised in the income statement as the adverse development is realised. Negative goodwill not related to any anticipated adverse development is recognised in the balance sheet at an amount corresponding to the fair value of non-monetary assets. The amount is subsequently recognised in the income statement over the average useful lives of the non-monetary assets.

Goodwill and negative goodwill from acquired enterprises can be adjusted until the end of the year following the year of acquisition.

Consolidated financial statements and parent company financial statements for the period 1 April 2019 - 31 March 2020

Notes to the financial statements

1 **Accounting policies (continued)**

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Foreign group entities

Foreign subsidiaries are considered separate entities. Items in such entities' income statements are translated at an average exchange rate for the month, and balance sheet items are translated at closing rates. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries to closing rates and on translation of the income statements from average exchange rates to closing rates are taken directly to equity.

Foreign exchange adjustments of balances with separate foreign subsidiaries, which are considered part of the aggregate investment in the subsidiary, are taken directly to equity, and foreign exchange gains and losses on loans and derivative financial instruments designated as hedges of foreign subsidiaries are recognised directly in equity.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in "Other receivables" and "Other payables", respectively.

Fair value adjustments of derivative financial instruments designated as and qualifying for hedging of future assets or liabilities are recognised in other receivables or other payables, respectively, and in equity.

If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively.

If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects the profit/loss for the year.

Income statement

Revenue

Income from the sale of goods for resale and finished goods is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Income from construction contracts involving a high degree of customisation is recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the market value of the contract work performed during the year (percentage-of-completion method). This method is used

Consolidated financial statements and parent company financial statements for the period 1 April 2019 - 31 March 2020

Notes to the financial statements

1 **Accounting policies (continued)**

where the total income and expenses and the degree of completion of the contract can be measured reliably.

Where income from a construction contract cannot be estimated reliably, contract revenue corresponding to the expenses incurred is recognised only in so far as it is probable that such expenses will be recoverable from the counterparty.

Production costs

Production costs comprise costs incurred in generating the revenue for the year. Such costs include direct and indirect costs of raw materials, consumables and production staff, rent and leases, as well as depreciation on production plant.

Production costs also comprise research and development costs that do not qualify for capitalisation and amortisation of capitalised development costs.

Also, provision for losses on construction contracts is recognised.

Sales and distribution costs

Sales and distribution costs comprise costs related to the distribution of goods sold in the year and to sales campaigns, etc., carried out in the year, including costs relating to sales staff, advertising, exhibitions and amortisation/depreciation.

Administrative expenses

Administrative expenses include expenses incurred in the year for company management and administration, including expenses relating to administrative staff, Management, office premises and expenses as well as amortisation/depreciation of assets used for administrative purpose.

Profit/loss from investments in subsidiaries

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax on profit/loss for the year

The parent company is covered by the Danish rules on mandatory joint taxation of the Group's Danish subsidiaries. Subsidiaries are included in the joint taxation arrangement from the date at which they are included in the consolidated financial statements and up to the date when they are no longer consolidated.

The parent company is the administrative company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

On payment of joint taxation contributions, the Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

Consolidated financial statements and parent company financial statements for the period 1 April 2019 - 31 March 2020

Notes to the financial statements

1 Accounting policies (continued)

Tax for the year which comprises joint taxation contributions, tax for the year and any changes in deferred tax is recognised in the income statement. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Intangible assets

Goodwill is amortised over its estimated useful life determined on the basis of Management's experience of the specific business areas. Goodwill is amortised on a straight-line basis over a maximum amortisation period of 20 years, due to strategically acquired enterprises with strong market positions and long-term earnings profiles.

Patents, licences and software are measured at cost less accumulated amortisation and impairment losses. Amortisation takes place on a straight-line basis over the expected useful life which has been fixed at three years.

Development costs comprise costs, salaries and amortisation directly or indirectly attributable to the Company's development activities.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Following the completion of the development work, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually three years.

Gains and losses on the sale and disposal of intangible assets are recognised in the income statement under "Other operating income" or "Other operating expenses", respectively. Gains and losses are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale or disposal.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, subsuppliers, and wages and salaries.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives are as follows:

Buildings	30-50 years
Roofing tiles and paving stones	20 years
Plant and machinery	3-10 years
Fixtures and fittings, tools and equipment	3-5 years

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

Consolidated financial statements and parent company financial statements for the period 1 April 2019 - 31 March 2020

Notes to the financial statements

1 Accounting policies (continued)

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating costs, respectively.

Leases

On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to the ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the present value of the future lease payments. In calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently accounted for in the same way as the Company's other assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Investments in subsidiaries

Investments in subsidiaries are measured under the equity method.

Investments in subsidiaries are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the Group's accounting policies minus or plus unrealised intra-group profits and losses and plus or minus any residual 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 (nil), and any amounts owed by such enterprises are written down if the amount owed is irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

Net revaluation of investments in subsidiaries is recognised in the reserve for net revaluation in equity under the equity method to the extent that the carrying amount exceeds cost. Dividends from subsidiaries which are expected to be adopted before the approval of the annual report of Thermax Denmark A/S are not recognised in the reserve for net revaluation.

On acquisition of subsidiaries, the acquisition method is applied, please see Consolidated financial statements above.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment as well as investments in subsidiaries is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

Consolidated financial statements and parent company financial statements for the period 1 April 2019 - 31 March 2020

Notes to the financial statements

1 Accounting policies (continued)

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

Raw materials and consumables are measured at cost, comprising purchase price plus delivery costs. Semi-finished goods are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment as well as factory administration and management.

Receivables

Receivables are measured at amortised cost. Write-down to net realisable value is made for expected losses.

Work in progress (customised orders)

Work in progress (customised orders) are measured at the selling price of the work performed, less any payments received on account of the customer and expected losses. The orders are characterized by the fact that the orders contain high levels of individualization of the design. Moreover, it is a requirement that before the execution of the order is initiated, a binding order has been entered, which will result in penalty or replacement by later removal.

The selling price is measured by reference to the stage of completion at the balance sheet date and total expected income from the contract. The stage of completion is determined on the basis of an estimate of the work, usually calculated as the ratio between the costs incurred and total estimated costs of the order or hours worked and the total estimated hours worked for that order.

When it is probable that total costs for an order will exceed total revenue, the expected loss on the order is immediately recognised as an expense and a provision.

When the selling price of an individual order cannot be measured reliably, the selling price is measured at the lower of costs incurred and net realisable value.

Net assets are determined as the sum of orders where the selling price of the work performed exceeds progress billings. Net liabilities are determined as the sum of orders where progress billings exceed the selling price.

Prepayments from customers are recognised as liabilities.

Selling costs and costs incurred in securing contracts are recognised in the income statement when incurred.

Consolidated financial statements and parent company financial statements for the period 1 April 2019 - 31 March 2020

Notes to the financial statements

1 Accounting policies (continued)

Prepayments

Prepayments comprise costs incurred in relation to subsequent financial years.

Equity

Reserve for net revaluation according to the equity method

The net revaluation reserve according to the equity method includes net revaluations of investments in subsidiaries and associates relative to cost. The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

Dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Corporation tax and deferred tax

In its capacity as the administrative company, Thermax Denmark ApS is liable for its subsidiaries' corporation taxes towards the tax authorities concurrently with the payment of joint taxation contribution by the subsidiaries.

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. Where alternative tax rules can be applied to determine the tax value, deferred tax is measured based on Management's planned use of the asset or the settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carry-forwards, are recognised under assets at the expected value of their utilisation, either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses. Deferred tax is measured in accordance with the tax rules applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Provisions

Provisions comprise anticipated expenses relating to warranty commitments, onerous contracts, restructurings, etc. Provisions are recognised when the Company has a legal or constructive obligation at the balance sheet date as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Warranties comprise obligations to compensate any defects within the warranty period of 1-5 years. Provisions are measured and recognised on the basis of past experience with warranty work.

If it is likely that total costs will exceed total income from contract work in progress, a provision is made for the total loss anticipated on the contract. The provision is recognised in production costs.

Consolidated financial statements and parent company financial statements for the period 1 April 2019 - 31 March 2020

Notes to the financial statements

1 Accounting policies (continued)

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

The remaining liabilities are measured at net realisable value.

Cash flow statement

The cash flow statement shows the Company's net cash flows broken down according to operating, investing and financing activities, the year's changes in cash and cash equivalents as well as the cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are calculated as the profit/ loss for the year adjusted for non-cash operating items, changes in working capital and paid corporate income tax.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related expenses as well as raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

Cash and cash equivalents comprise cash and short-term securities which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

Segment information

Information is provided on business segments and geographical markets. Segment information is based on the Company's accounting policies, risks and internal financial management.

Financial ratios

The financial statements have been prepared in accordance with the same accounting policies as last year.

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Operating margin	$\dfrac{\text{Operating profit x 100}}{\text{Revenue}}$
Equity ratio	$\dfrac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$
Return on equity	$\dfrac{\text{Profit from ordinary activities after tax x 100}}{\text{Average equity}}$

Consolidated financial statements and parent company financial statements for the period 1 April 2019 - 31 March 2020

Notes to the financial statements

		Consolidated		Parent company	
	DKK'000	2019/20	2018/19	2019/20	2018/19
2	**Segment information**				
	Revenue - boilers etc.				
	Europe	287,996	281,384	0	0
	Outside Europe	4,791	7,598	0	0
		292,787	288,982	0	0
3	**Employee relations**				
	Wages and salaries	108,536	114,688	0	0
	Pensions	6,037	6,722	0	0
	Other social security costs	801	876	0	0
		115,374	122,286	0	0
	Remuneration and pensions of the Executive Board	0	0	0	0
	Average number of full-time employees	281	292	0	0
4	**Fees paid to auditors appointed at the annual general meeting**				
	Fee regarding statutory audit	342	294	16	15
	Assurance engagements	350	342	40	40
	Tax assistance	35	37	8	8
	Other assistance	200	186	90	25
		927	859	154	88
5	**Financial income**				
	Interest income from group enterprises	0	0	0	0
	Other financial income	2,766	1,999	0	5
		2,766	1,999	0	5
6	**Financial expenses**				
	Interest expense for group enterprises	171	140	186	56
	Other interest expense	5,932	5,363	428	818
		6,103	5,503	614	874

Consolidated financial statements and parent company financial statements for the period 1 April 2019 - 31 March 2020

Notes to the financial statements

DKK'000	Consolidated 2019/20	Consolidated 2018/19	Parent Company 2019/20	Parent Company 2018/19
7 Tax on the profit for the year				
Current tax for the year	-69	26	-17	-209
Deferred tax adjustment for the year	-4,320	-5,224	-165	-7
Prior-year adjustments	-69	0	0	0
	-4,458	-5,198	-182	-216
Specified as follows:				
Tax on profit for the year	-4,389	-5,224	-182	-216
Tax on changes in equity	-69	26	0	0
	-4,458	-5,198	-182	-216

8 Intangible assets
Consolidated

DKK'000	Completed development projects	Licences, software	Goodwill	Development projects in progress	Total
Cost at 1 April 2019	3,984	3,997	141,569	0	149,550
Additions	706	0	0	1,508	2,214
Disposals	0	-186	0	0	-186
Cost at 31 March 2020	4,690	3,811	141,569	1,508	151,578
Impairment losses and amortisation at 1 April 2019	838	2,119	112,662	0	115,619
Amortisation	1,018	936	2,473	0	4,427
Disposals	0	-177	0	0	-177
Impairment losses and amortisation at 31 March 2020	1,856	2,878	115,135	0	119,869
Carrying amount at 31 March 2020	2,834	933	26,434	1,508	31,709

Development costs are recognized based on expectations for future earnings generated from development projects.

Consolidated financial statements andparent company financial statements for the period 1 April 2019 - 31 March 2020

Notes to the financial statements

9 Property, plant and equipment
Consolidated

DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Total
Cost at 1 April 2019	57,216	28,617	2,395	88,228
Additions	0	453	552	1,005
Disposals	-4,623	-3,621	-1,172	-9,416
Currency translation	-1,356	0	0	-1,356
Cost at 31 March 2020	51,237	25,449	1,775	78,461
Impairment losses and depreciation at 1 April 2019	9,215	16,518	1,162	26,895
Depreciation and impairment losses	1,519	3,180	541	5,240
Disposals	-838	-3,506	-1,171	-5,515
Currency translation	-128	0	0	-128
Impairment losses and depreciation at 31 March 2020	9,768	16,192	532	26,492
Carrying amount at 31 March 2020	41,469	9,257	1,243	51,969
Property, plant and equipment include finance leases with a carrying amount totalling	0	3,713	671	4,384

10 Investments
Parent

DKK'000	Investments in subsidiaries
Cost at 1 April 2019	273,896
Additions	25,000
Cost at 31 March 2020	298,896
Value adjustments at 1 April 2019	-175,604
Profit for the year	-25,429
Exchange rate adjustments	-1,878
Change in value adjustments of hedging instruments in investments	287
Value adjustments at 31 March 2020	-202,624
Carrying amount at 31 March 2020	96,272

Carrying amount of goodwill amounts to DKK 26,434 thousand as of 31 March 2020.

Name	Registered office	Rights and ownership
Danstoker A/S	Herning, Denmark	100 %
Ejendomsanpartsselskabet Industrivej Nord 13	Herning, Denmark	100 %
Boilerworks A/S	Kolding, Denmark	100 %
Boilerworks Properties ApS	Herning, Denmark	100 %
Danstoker Poland Sp. Z.o.o.	Poland	100 %

Consolidated financial statements and parent company financial statements for the period 1 April 2019 - 31 March 2020

Notes to the financial statements

DKK'000	Consolidated 2019/20	Consolidated 2018/19	Parent company 2019/20	Parent company 2018/19
11 Deferred tax				
Deferred tax at 1 April 2019	5,229	10,482	-213	-206
Deferred tax adjustment	-3,781	-5,253	-165	-7
Deferred tax at 31 March 2020	1,448	5,229	-378	-213
Deferred tax are recognized as follows:				
Deferred tax assets	0	411	378	213
Deferred tax liabilities	1,448	5,640	0	0
	1,448	5,229	378	213

Deferred tax relates to non-current assets, tax losses carried forward and work in progress (advance on account).

DKK'000	2019/20	2018/19
12 Work in progress (customer-specific orders)		
Consolidated		
Work in progress	238,444	299,998
Payment on account	-199,460	-257,880
	38,984	42,118
Recognised as follows:		
Work in progress (customer-specific orders) (assets)	49,046	59,056
Prepayments received from customers (liabilities)	-10,062	-16,938
	38,984	42,118
13 Prepayments		
Consolidated		
Prepaid insurance premiums	663	694
Other prepaid costs	3,020	1,017
	3,683	1,711
14 Other provisions		
Consolidated		
Other provisions at 1 April 2019	4,649	5,859
Provision for the year, adjustment	-1,508	-1,210
Other provisions at 31 March 2020	3,141	4,649

Other provisions consists of custom warranties, DKK 1,118 thousand (2018/19: DKK 618 thousand) and provision for guarantee obligations and other costs DKK 2,023 thousand (2018/19: DKK 4,031 thousand).

Consolidated financial statements and parent company financial statements for the period 1 April 2019 - 31 March 2020

Notes to the financial statements

15 **Non-current liabilities other than provisions**
Consolidated

DKK'000	Total liabilities at 31/3 2020	Repayment next year	Long-term portion	Outstanding debt after 5 years
Mortgage credit institutions	11,919	916	11,003	7,338
Bank loans	18,669	13,068	5,601	0
Lease liabilities	3,813	1,289	2,524	0
Total liabilities	34,401	15,273	19,128	7,338

Parent company

DKK'000	Total liabilities at 31/3 2020	Repayment next year	Long-term portion	Outstanding debt after 5 years
Bank loans	18,663	13,068	5,595	0
Total liabilities	18,663	13,068	5,595	0

16 **Contractual obligations and contingencies, etc.**
Consolidated

Lease obligations (operating leases) falling due within three years total DKK 1.559 thousand, hereof DKK 826 thousand fall due 2020/21.

Rent obligations falling due within three years total DKK 1.322 thousand, hereof DKK 661 thousand fall due 2020/21.

The Group has entered into interest rate swap contracts concerning a loan amounting to totally DKK 8,120 thousand with a net position as of 31 March 2020 of totally DKK -1,321 thousand (2018/19: DKK -1,631 thousand).

The Group has received a claim for avoidance from the liquidator in the former subsidiary Omnical Kessel- und Apparatebau GmbH in bankruptcy. Any final amount is unknown at the moment as the company does not find any basis for the claim and has rejected it.

Parent company

The company is jointly taxed with the Danish subsidiaries. The companies included in the joint taxation have joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties.

Consolidated financial statements and parent company financial statements for the period 1 April 2019 - 31 March 2020

Notes to the financial statements

17 Mortgages and collateral
Consolidated

Land and buildings with a carrying amount of DKK 24,779 thousand 31 March 2020 have been provided as collateral, nom. DKK 26,000 thousand, for bank loans of DKK 11,920 thousand.

Mortgage registered to the mortgagor at a nominal amount of DKK 7,500 thousand secured on plant and machinery, fixture and fittings, other plant and equipment and goodwill with a carrying amount of DKK 5,814 thousand has been provided as collateral for loan raised with credit institution.

Performance bonds and advance payment guarantees issued by guarantee insurers amount to DKK 41,232 thousand (2018/19: DKK 46,980 thousand).

Guarantees have been undertaken whereby primary liability is assumed towards credit institutions for all performance bonds and outstanding balances between other enterprises and credit institutions. At 31 March 2020, the guarantee commitment amounted to DKK 0 thousand (2018/19: DKK 2,308 thousand).

18 Related parties

Thermax Denmark ApS' related parties comprise the following:

Related party transactions

Transactions with related parties are specified as follows:

DKK'000	2019/20	2018/19
Revenue	149	195
Production costs	2,532	5,141
Financial expenses	181	140
Amounts owed to group companies (Liabilities)	15,571	18,362
Equity contribution from parent	0	40,171

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent's consolidated financial statements
Thermax Ltd.	India	www.thermaxglobal.com

	Consolidated		Parent	
DKK'000	2019/20	2018/19	2019/20	2018/19
19 Proposed profit/loss				
Transferred to reserves under equity	-25,967	-82,416	-25,967	-82,896
Reserve for net revaluation under the equity method	0	0	0	480
	-25,967	-82,416	-25,967	-82,416