Kraftvaerk Group A/S

Njalsgade 21 G, 5.
2300 København S

CVR no.: 33 63 91 04

Annual report 2018

The annual report was presented and approved at the Company's annual general meeting

On 31st May 2019

Casper Moltke-Leth

chairman of the annual general meeting

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Kraftvaerk Group A/S for the financial year 1 January – 31 December 2018.

The annual report has been 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 Group's and the Parent Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2018.

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

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

Copenhagen, 31 May 2019
Executive Board:

Otto Andersen

Board of Directors:

Jens Vasehus	Otto Andersen	Rostislav Semenov

Independent auditor's report

To the shareholders of Kraftvaerk Group A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Kraftvaerk Group A/S for the financial year 1 January – 31 December 2018 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the Parent Company and a cash flow statement for the Group. The consolidated financial statements and 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 Group's and the Parent Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" section of our report. 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 the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the consolidated financial statements and the parent company 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 that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or 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 consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements and the parent company 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made on the basis of these consolidated financial statements and parent company financial statements.

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

— identify and assess the risks of material misstatement of the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 Company to cease to continue as a going concern.

— evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements or the parent company 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 consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 31 May 2019
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Klaus Rytz
State Authorised
Public Accountant
mne33205

Management's review

Company details

Kraftvaerk Group A/S
Njalsgade 21 G, 5.
2300 København S

Telephone:	70 22 64 80
Website:	www.kraftvaerk.com
E-mail:	info@kraftvaerk.com

CVR no.	33 63 91 04
Established:	27 April 2011
Registered office:	Copenhagen
Financial year:	1 January – 31 December

Board of Directors

Jens Vasehus
Otto Andersen
Rostislav Semenov

Executive Board

Otto Andersen

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfaergevej 28
DK-2100 Copenhagen
Denmark

Annual general meeting

The annual general meeting will be held on 31 May 2019.

Management's review

Operating review

The Group's principal activities

The Company's activities comprise IT and business development.

Development in activities and financial position

The income statement for the period 1 January – 31 December 2018 shows a profit of DKK 1,930,090 against DKK 6,266,788 for the period 1 January – 31 December 2017. The balance sheet shows equity of DKK 10,003,361.

Under the circumstances Management considers the result satisfactory.

Events after the balance sheet date

No significant events have occurred after the balance sheet date materially affecting the financial statements.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Income statement

DKK	Note	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Revenue		97,076,508	87,600,682	324,000	324,000
Cost of sales		-1,784,214	-2,193,859	0	0
Other external expenses		-14,386,653	-12,849,628	-417,620	-254,732
Gross profit/loss		80,905,641	72,557,195	-93,620	69,268
Staff cost	2	-75,429,682	-61,332,348	0	0
Ordinary operating profit		5,475,959	11,224,847	-93,620	69,268
Depreciation, amortisation, impairment losses and write-downs of property, plant and equipment		-2,328,857	-2,283,738	0	0
Other operating costs		0	-13,347	0	0
Operating profit		3,147,102	8,927,762	-93,620	69,268
Income from equity investments in group entities		0	0	2,472,137	6,672,306
Other financial income	3	125,167	8,705	97,131	61,102
Write-down of financial assets		0	0	-410,144	-410,144
Other financial expenses	4	-490,700	-711,897	-268,949	-220,776
Profit before tax		2,781,569	8,224,570	1,796,555	6,171,756
Tax on profit for the year	5	-851,479	-1,957,782	58,532	20,037
Profit for the year	6	1,930,090	6,266,788	1,855,087	6,191,793

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

		Group		Parent Company	
DKK	Note	2018	2017	2018	2017
ASSETS					
Fixed assets					
Intangible assets	7				
Completed development projects		266,004	543,000	0	0
Goodwill		765,124	1,100,265	0	0
		1,031,128	1,643,265	0	0
Property, plant and equipment	8				
Fixtures and fittings, tools and equipment		3,314,009	3,778,688	0	0
		3,314,009	3,778,688	0	0
Investments					
Equity investments in group entities	9	0	0	14,153,600	17,143,078
Receivables from group entities		0	0	0	1,389,114
Deposits		1,449,357	1,181,477	0	0
		1,449,357	1,181,477	14,153,600	18,532,192
Total fixed assets		5,794,494	6,603,430	14,153,600	18,532,192
Current assets					
Receivables					
Trade receivables		19,087,450	15,532,451	0	0
Work in progress		1,090,536	767,416	0	0
Receivables from group entities		0	0	2,121,039	2,531,746
Deferred tax asset		169,542	3,863	0	0
Income tax receivable		0	0	58,535	20,037
Other receivables		1,803	105,640	0	0
Prepayments		590,228	1,284,825	0	0
		20,939,559	17,694,195	2,179,574	2,551,783
Cash at bank and in hand		5,003,023	6,942,379	302,771	25,914
Total current assets		25,942,582	24,636,574	2,482,345	2,577,697
TOTAL ASSETS		31,737,076	31,240,004	16,635,945	21,109,889

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

		Group		Parent Company	
DKK	Note	2018	2017	2018	2017
EQUITY AND LIABILITIES					
Equity					
Contributed capital		1,000,000	1,000,000	1,000,000	1,000,000
Reserve for net revaluation according to the equity method		0	0	4,126,358	4,653,015
Reserve for development costs		207,480	326,040	0	0
Retained earnings		6,795,881	6,835,876	3,024,010	2,730,911
Proposed dividends for the financial year		2,000,000	5,000,000	2,000,000	5,000,000
Total equity		10,003,361	13,161,916	10,150,368	13,383,926
Liabilities other than provisions					
Non-current liabilities other than provisions	10				
Payables to group entities		533,333	1,600,000	533,333	1,600,000
Other payables		133,333	400,000	133,333	400,000
		666,666	2,000,000	666,666	2,000,000
Current liabilities other than provisions					
Short-term portion of long-term payables		1,333,333	1,281,334	1,333,333	1,281,334
Construction contracts		742,083	775,562	0	0
Prepayments received from work in progress		2,410,361	1,029,914	0	0
Trade payables		1,991,211	1,878,576	0	25,000
Payables to group entities		566,657	7,702	4,336,139	3,965,229
Income taxes		457,755	1,040,030	0	0
Other payables		12,439,299	8,812,678	149,439	454,400
Deferred income		1,126,350	1,252,292	0	0
		21,067,049	16,078,088	5,818,911	5,725,963
Total liabilities other than provisions		21,733,715	18,078,088	6,485,577	7,725,963
TOTAL EQUITY AND LIABILITIES		31,737,076	31,240,004	16,635,945	21,109,889

Consolidated financial statements and parent company financial statements 1 January – 31 December

Statement of changes in equity

	Group				
DKK	Contribu-ted capital	Reserve for develop-ment costs	Retained earnings	Proposed dividend	Total
Equity at 1 January 2018	1,000,000	326,040	6,835,876	5,000,000	13,161,916
Distributed dividend	0	0	0	-5,000,000	-5,000,000
Total depreciation, amortisation, impairment losses and write-downs during the year	0	-152,000	152,000	0	0
Transferred over the profit appropriation	0	0	-69,910	2,000,000	1,930,090
Exchange rate adjustment, foreign subsidiary	0	0	-88,645	0	-88,645
Tax on items under equity	0	33,440	-33,440	0	0
Equity at 31 December 2018	1,000,000	207,480	6,795,881	2,000,000	10,003,361

Consolidated financial statements and parent company financial statements 1 January – 31 December

Statement of changes in equity

	Parent Company				
DKK	Contributed capital	Net revaluation according to the equity method	Retained earnings	Proposed dividend	Total equity
Equity at 1 January 2018	1,000,000	4,653,015	2,730,911	5,000,000	13,383,926
Distributed dividend	0	0	0	-5,000,000	-5,000,000
Transferred over the profit appropriation	0	2,472,137	-2,617,050	2,000,000	1,855,087
Exchange rate adjustment, foreign subsidiary	0	-88,645	0	0	-88,645
Distributed dividend from group enterprises	0	-2,500,000	2,500,000	0	0
Other changes in equity	0	-410,149	410,149	0	0
Equity at 31 December 2018	1,000,000	4,126,358	3,024,010	2,000,000	10,150,368

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Kraftvaerk Group A/S for 2018 has been prepared in accordance with the provisions applying to reporting class B with opt-in from higher reporting class.

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

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the Company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

Consolidated financial statements

The consolidated financial statements comprise the Parent Company, Kraftvaerk Group A/S, and subsidiaries in which Kraftvaerk Group A/S directly or indirectly holds more than 50% of the votes or in some other way exercises control over. Entities in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are considered associates.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends and realised and unrealised gains and losses on intra-group transactions are eliminated.

Equity investments in subsidiaries are set off against the proportionate share of subsidiaries' fair value of net assets and liabilities at the date of acquisition.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates 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, payables and other monetary items denominated in foreign currencies are translated at the exchange rates 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 latest financial statements is recognised in the income statement as financial income or financial expenses.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Upon recognition of foreign subsidiaries and associates which are independent entities, the income statements are translated into Danish kroner at average exchange rates for the month, and balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising upon translation of foreign subsidiaries' opening equity and results at the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of balances with independent foreign subsidiaries considered part of the total investment in the subsidiary are recognised directly in equity.

Upon recognition of foreign subsidiaries which are integrated entities, monetary items are translated at the exchange rates at the balance sheet date. Non-monetary items are translated at the exchange rates at the date of acquisition or the date of subsequent revaluations of the asset. Income statement items are translated at the exchange rates at the transaction date, whereas items derived from non-monetary items are translated at historical exchange rates for the non-monetary item.

Income statement

Revenue

Income from the sale of services is recognised as delivery takes place. Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are deducted from revenue.

Cost of sale

Cost of sales comprises costs incurred to generate revenue for the year.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

Depreciation, amortisation and impairment and losses

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets.

Other operating costs

Other operating costs comprise costs of a secondary nature in relation to the enterprise's activities, including costs relating to losses on the sale of intangible assets and property, plant and equipment.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Income from equity investments in group entities

For equity investments in subsidiaries that in the Parent Company are measured using the equity method, the share of the entities profit or loss is recognised in the income statement after elimination of unrealised intercompany profit and loss and less any goodwill amortisation and impairment losses.

Income from equity investments in subsidiaries also comprises gains and losses on the sale of equity investments.

Impairment losses on financial assets

Impairment losses on financial assets comprise impairment of investments at a lower recoverable amount and write-downs of financial current assets at a lower net realisable value.

Financial income and expenses

Financial income and expenses comprise interest income and expenses, financial costs regarding payables and transactions denominated in foreign currencies.

Tax on profit for the year

The Parent Company is comprised by the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. The subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

The Parent Company is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

On payment of joint taxation contributions, current Danish corporation tax 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 used the losses to reduce their own taxable profit.

Tax for the year comprises current tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit for the year is recognised in the income statement at the amount attributable to the profit/loss for the year and directly in equity at the amount attributable to entries directly in equity.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Balance sheet

Intangible assets

Completed development projects

Development projects are recognised in the balance sheet where the project aims at developing a specific product or a specific process, intended to be produced or used, respectively, by the Company in its production process. On initial recognition, development projects are measured at cost. Cost comprises the purchase price plus expenses resulting directly from the purchase, including wages and salaries directly attributable to the development projects until the asset is ready for use. Interest on loans arranged to finance development projects in the development period is not included in the cost. Other development projects and development costs are recognised in the income statement in the year in which they are incurred.

Development projects are subsequently measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Completed development projects are amortised using the straight-line method based on useful lives. The maximum amortisation period is 4 years.

Goodwill

Goodwill is measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Goodwill is amortised on a straight-line basis over the estimated useful life determined on the basis of Management's experience within the individual business areas. The amortisation period is 5 years.

Gains and losses on the disposal of intangible assets

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

Property, plant and equipment

Property, plant and equipment comprise fixtures and fittings, tools and equipment.

Fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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 is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Fixtures and fittings, tools and equipment	3-5 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

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

Investments

Equity investments in subsidiaries are measured in the balance sheet of the parent according to the equity method, which means that these equity investments are measured at the proportionate share of the entities' equity value determined according to the accounting policies of the Parent Company, adjusted for the remaining value of positive or negative goodwill and gains and losses on transactions with the entities in question.

Other receivables and deposits are recognised at amortised cost.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the Company.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Construction contracts

Construction contracts are measured at the selling price of the work performed less progress billings and expected losses. The selling price is measured on the basis of the stage of completion at the balance sheet date and the projected income from the individual construction contract. The stage of completion is stated as the share of costs incurred in proportion to estimated total costs relating to the individual construction contract.

When the selling price of a construction contract cannot be estimated reliably, the selling price is measured at the lower of costs incurred and net realisable value.

The individual construction contract is recognised in the balance sheet as receivables or payables, respectively. Net assets comprise the total of construction contracts where the selling price of the work performed exceeds progress billings. Net liabilities comprise the total of construction contracts where progress billings exceed the selling price.

Costs arising from sales work and contracting are recognised in the income statement as incurred.

Prepayments and deferred income

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Cash

Cash includes deposits in bank accounts as well as operating cash.

Equity

Dividends

The expected dividend payment for the year is disclosed as a separate item under equity.

Net revaluation reserve according to the equity method

The net revaluation of equity investments in subsidiaries is recognised in the financial statements of the Parent Company in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost. Dividends from subsidiaries which are expected to be adopted before adoption of the annual report for Kraftvaerk Group A/S are not tied up in the revaluation reserve.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Other reserves

An amount equivalent to internally generated development costs in the balance sheet is recognised in the financial statements of the Parent Company in equity under reserve for development costs. The reserve is measured less deferred tax and reduced by amortisation and impairment losses on the asset. If impairment losses on development costs are subsequently reversed, the reserve will be restored with a corresponding amount. The reserve is dissolved when the development costs are no longer associated with the operations of the entity, and the remaining amount will be transferred to retained earnings. In accordance with Act no. 738 amending the Danish Financial Statements Act of 1 June 2015, development costs will initially be recognised in the reserve, with initial recognition in the balance sheet from 1 January 2016.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for 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 measured on the planned use of the asset or settlement of the liability, respectively. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; 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. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Payables

Deposits recognised under liabilities comprise deposits received from lessees under the Company's leases.

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to the time and date of delivery of the agreed product or completion of the agreed service.

Deferred income

Deferred income comprises payments received regarding income in subsequent years.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

	DKK	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
2	**Staff costs**				
	Wages and salaries	66,320,118	53,084,212	0	0
	Pensions	5,751,617	4,742,927	0	0
	Other social security costs	672,415	470,113	0	0
	Other staff costs	2,685,532	3,035,096	0	0
		75,429,682	61,332,348	0	0
	Average number of full-time employees	137	120	0	0
3	**Other financial income**				
	Interest income from group entities	69,130	0	96,921	60,433
	Other interest income	56,037	8,705	210	669
		125,167	8,705	97,131	61,102
4	**Other financial expenses**				
	Interest expense to group entities	188,059	71,067	244,550	202,500
	Other interest expense	302,641	640,830	24,399	18,276
		490,700	711,897	268,949	220,776
5	**Tax on profit for the year**				
	Current tax for the year	1,014,366	2,010,182	-58,532	-20,037
	Deferred tax adjustment for the year	-162,887	-52,400	0	0
		851,479	1,957,782	-58,532	-20,037

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6 Proposed profit appropriation

	Group		Parent Company	
DKK	2018	2017	2018	2017
Proposed dividend for the financial year	2,000,000	5,000,000	2,000,000	5,000,000
Reserve for net revaluation according to the equity method	0	0	2,472,137	6,672,306
Retained earnings	-69,910	1,266,788	-2,617,050	-5,480,513
	1,930,090	6,266,788	1,855,087	6,191,793

7 Intangible assets

	Group		
DKK	Completed develop-ment projects	Goodwill	Total
Cost at 1 January 2018	2,543,623	1,675,743	4,219,366
Cost at 31 December 2018	2,543,623	1,675,743	4,219,366
Amortisation and impairment losses at 1 January 2018	-2,000,623	-575,478	-2,576,101
Amortisation	-276,996	-335,141	-612,137
Amortisation and impairment losses at 31 December 2018	-2,277,619	-910,619	-3,188,238
Carrying amount at 31 December 2018	266,004	765,124	1,031,128

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8 Property, plant and equipment

DKK	Group Fixtures and fittings, tools and equipment
Cost at 1 January 2018	7,087,443
Additions	941,738
Cost at 31 December 2018	8,029,181
Depreciation and impairment losses at 1 January 2018	-3,308,755
Depreciation	-1,406,417
Depreciation and impairment losses at 31 December 2018	-4,715,172
Carrying amount at 31 December 2018	3,314,009

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9 Investments

DKK	Parent Company 2018	Parent Company 2017
Equity investments in subsidiaries		
Cost at 1 January	7,490,063	7,490,063
Additions	37,179	0
Disposals	0	0
Cost at 31 December	7,527,242	7,490,063
Revaluations at 1 January	10,756,460	9,095,843
Foreign currency translation adjustment of foreign entity	-88,645	-11,689
Net profit from equity investments	2,472,137	6,672,306
Dividend relating to equity investments	-5,000,000	-5,000,000
Revaluations at 31 December	8,139,952	10,756,460
Depreciation and impairment losses at 1 January	-1,103,445	-693,301
Amortisation of goodwill	-410,149	-410,144
Depreciation and impairment losses at 31 December	-1,513,594	-1,103,445
Carrying amount at 31 December	14,153,600	17,143,078
Portion relating to the remaining balance (non-amortised goodwill)	912,150	1,322,298

Name/legal form	Registered office	Equity interest	Equity	Profit/loss for the year
			DKK	DKK
Subsidiaries:				
Kraftvaerk A/S	Denmark	100%	9,550,200	803,630
Kraftvaerk Finland OY	Finland	100%	3,606,575	2,755,785
K-Vaerk AB	Sweden	100%	-384,843	-419,185
Kraftvaerk LLC	Russia	100%	963,360	259,665
Kraftvaerk FoodTech ApS	Denmark	100%	-493,838	-927,758
			13,241,454	2,472,137

Based on the merger plan published 31 December 2018 Kraftvaerk International ApS and Kraftvaerk Group A/S will be merged with retro perspective effect to 1 January 2018.

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10 Non-current liabilities other than provisions

Non-current liabilities other than provisions can be specified as follows:

DKK	2018	2017
Payables to group entities:		
0-1 years	1,066,667	1,066,667
1-5 years	533,333	1,600,000
>5 years	0	0
Other payables:		
0-1 years	266,666	214,667
1-5 years	133,333	400,000
>5 years	0	0
Total non-current liabilities other than provisions	1,999,999	3,281,334

11 Contingent liabilities

Group:

Lease commitments:

The entity has concluded lease agreements with terms to maturity of 11-33 months and average lease payments of DKK 27 thousand, a total of DKK 885 thousand.

The entity has concluded rental agreements which are irredeemable until 30 April 2020 respectively 30 April 2021. The remaining lease liability amounts to DKK 2,107 thousand.

Parent:

Recourse guarantee commitments:

The Company has provided a guarantee for Kraftvaerk A/S' debt to credit institutions. The guarantee is maximised at DKK 3,000 thousand.

Other contingent liabilities

The Company is taxed jointly with the other Danish companies in the group and is liable for income taxes on a pro rata basis and must comply with any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The maximum liability totals an amount corresponding to the share of the capital in the Company which is owned directly or indirectly by the ultimate parent.

The total tax liability for the jointly taxed companies at the balance sheet date has not yet been determined. For further information, please see the financial statements of the management company Otto Andersen Holding ApS.

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