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JSB Group A/S

Frejasvej 7
6950 Ringkøbing
Central Business Registration No
34607109

Annual report 2016

The Annual General Meeting adopted the annual report on

Chairman of the General Meeting

____

Name:

Contents

Entity details

Entity
JSB Group A/S
Frejasvej 7
6950 Ringkøbing

Central Business Registration No: 34607109
Registered in: Ringkøbing-Skjern
Financial year: 01.01.2016 - 31.12.2016

Board of Directors
Adrian Guise Williams, Chairman
Max Carlsén
Lars Rytter
Jens Sivert Bak
Arne Handeland

Executive Board
Frank Virenfeldt Nielsen

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P.O. Box 1600
0900 Copenhagen C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of JSB Group A/S for the financial year 01.01.2016 - 31.12.2016.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Ringkøbing, 12.03.2017

Executive Board

Frank Virenfeldt Nielsen

Board of Directors

Adrian Guise Williams Chairman	Max Carlsén	Lars Rytter
Jens Sivert Bak	Arne Handeland	

Independent auditor's report

To the shareholder of JSB Group A/S

Auditor’s report on the financial statements

Opinion

We have audited the financial statements of JSB Group A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity’s financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 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 financial statements section of this auditor’s report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity'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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

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

Independent auditor's report

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Report on other legal and regulatory requirements

Violation of the Danish Companies Act

Contrary to S 206 Danish Companies Act, the Company has indirectly contributed to the financing of VC VIII JSB Holding ApS' acquisition of shares in the Company. The financing ceased in FY 2017 by distribution of an extraordinary dividend from the Company to VC VIII JSB Holding ApS. Management consider this to be an isolated case and has changed procedures for intercompany transactions and implemented further internal controls to prevent this type of financing to occur again.

Copenhagen, 12.03.2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Nikolaj Thomsen
State-Authorised Public Accountant

Management commentary

	2016 DKK'000	2015 DKK'000	2014 DKK'000	2013 DKK'000
Financial highlights				
Key figures				
Gross profit	99,625	83,675	60,491	71,759
Operating profit/loss	23,321	10,447	11,532	18,793
Net financials	14,572	12,750	7,665	(6,153)
Profit/loss for the year	31,424	20,457	16,198	21,688
Total assets	212,154	182,336	135,452	108,732
Investments in property, plant and equipment	19,429	9,120	2,758	0
Equity	105,524	74,489	50,028	30,435
Average invested capital incl goodwill	75,925	59,007	39,252	28,416
Employees in average	133	137	99	73
Ratios				
Return on invested capital incl goodwill (%)	31.4	18.6	30.7	66.1
Return on equity (%)	34.9	32.9	40.3	71.3
Equity ratio (%)	49.7	40.9	36.9	28.0
Liquidity ratio (%)	140.0	109.3	90.9	58.8

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios
Return on invested capital incl goodwill (%)	$\frac{\text{EBITA x 100}}{\text{Average invested capital incl goodwill}}$	The return generated by the entity on the investors' funds.
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	The financial strength of the entity.
Liquidity ratio (%)	$\frac{\text{Current assets x 100}}{\text{Current liabilities other than provisions}}$	How the current assets cover the current liabilities.

EBITA (Earnings Before Interest, Tax and Amortisation) is defined as operating profit plus the year's amortisation of and impairment losses relating to intangible assets including goodwill.

Invested capital including goodwill is defined as net working capital plus the carrying amount of property, plant and equipment and intangible assets as well as accumulated amortisation of intangible assets including goodwill, and less other provisions and long-term operating liabilities. Accumulated impairment losses relating to goodwill are not added.

Net working capital is defined as inventories, receivables and other operating current assets net of trade payables and other short-term operating liabilities. Income taxes receivable and payable as well as cash are not included in net working capital.

Management commentary

Primary activities
JSB Group's primary activities comprise manufacturing and sales of core material kits to the wind industry.

Development in activities and finances
JSB Group explored new geographical markets as the year 2016 provided further growth for all three production sites within JSB Group. Revenue grew and profit for the year followed the growth to DKK 31,424k. On 31 December 2016 equity stands at DKK 105,524k.

Outlook
In 2017, the Company expects to grow sales by upwards of 10% prior to currency fluctuations. The growth will be supported with the establishment of a new facility in The Greater Shanghai Area, China. The continued growth as well as the establishment of a new facility are expected to drive one year costs leading to profit expectations, which are in line with the level of 2016. According to Market Updates from MAKE Consulting, the world market is moving away from the established markets to new and emerging markets. In order to follow the market development, JSB Group has established a new footprint in South Europe in 2017.

Particular risks
JSB Group predominantly purchases and sells raw materials that are traded in EUR, USD and CNY. Significant fluctuations in any of the mentioned currencies could influence the results. The Company's debt is financed with flexible interest rates and as such is a risk that could impact the results.

Environmental performance
JSB Group has introduced an ISO 50001 certified management system that ensures focus on reduction of electricity in all production facilities. In addition to the new system, JSB Group also initiated internal projects focused on reducing use of electricity in the production, by upgrading equipment and designing new machines with lower electricity consumption.

Furthermore, JSB Group has continued the expanded use of renewable raw materials, with no or very little impact on the environment. During 2016, the Company introduced new methods for waste disposal, all with the purpose of reducing the environmental impact from the operations.

No significant environmental relations are expected to have a potential impact on the operations carried out by JSB Group.

Events after the balance sheet date
JSB Group has acquired all the shares in Mecanización de Estructuras Poliméricas, S.L., Spain in 2017. The acquisition is pending approval from the competition authorities.

The Company has adopted an extraordinary dividend of DKK 2,000k after year-end.

Income statement for 2016

	Notes	2016 DKK'000	2015 DKK'000
Gross profit		**99,625**	**83,675**
Staff costs	1	(70,613)	(69,962)
Depreciation, amortisation and impairment losses	2	(5,691)	(3,266)
Operating profit/loss		**23,321**	**10,447**
Income from investments in group enterprises		13,839	13,249
Other financial income	3	3,486	1,374
Other financial expenses	4	(2,753)	(1,873)
Profit/loss before tax		**37,893**	**23,197**
Tax on profit/loss for the year	5	(6,469)	(2,740)
Profit/loss for the year	6	**31,424**	**20,457**

Balance sheet at 31.12.2016

	Notes	2016 DKK'000	2015 DKK'000
Goodwill		7,750	8,250
Development projects in progress		3,695	0
Intangible assets	7	**11,445**	**8,250**
Plant and machinery		19,192	11,447
Other fixtures and fittings, tools and equipment		2,300	2,179
Leasehold improvements		106	177
Property, plant and equipment in progress		6,338	0
Property, plant and equipment	8	**27,936**	**13,803**
Investments in group enterprises		76,418	62,968
Other receivables		275	464
Fixed asset investments	9	**76,693**	**63,432**
Fixed assets		**116,074**	**85,485**
Raw materials and consumables		17,616	22,002
Manufactured goods and goods for resale		8,940	5,235
Inventories		**26,556**	**27,237**
Trade receivables		33,066	36,622
Receivables from group enterprises		34,316	31,515
Other receivables		728	1,106
Prepayments	10	1,414	364
Receivables		**69,524**	**69,607**
Cash		**0**	**7**
Current assets		**96,080**	**96,851**
Assets		**212,154**	**182,336**

Balance sheet at 31.12.2016

	Notes	2016 DKK'000	2015 DKK'000
Contributed capital	11	10,000	10,000
Reserve for net revaluation according to the equity method		27,702	14,252
Reserve for development expenditure		2,882	0
Retained earnings		49,940	50,237
Proposed dividend		15,000	0
Equity		**105,524**	**74,489**
Deferred tax		1,925	675
Provisions		**1,925**	**675**
Subordinate loan capital		0	13,227
Bank loans		26,141	0
Finance lease liabilities		9,958	5,323
Non-current liabilities other than provisions	12	**36,099**	**18,550**
Current portion of long-term liabilities other than provisions	12	6,516	1,641
Bank loans		8,284	34,196
Trade payables		32,248	37,808
Income tax payable		4,194	2,489
Other payables		17,364	12,488
Current liabilities other than provisions		**68,606**	**88,622**
Liabilities other than provisions		**104,705**	**107,172**
Equity and liabilities		**212,154**	**182,336**
Unrecognised rental and lease commitments	13		
Contingent liabilities	14		
Mortgages and securities	15		
Related parties with controlling interest	16		
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Statement of changes in equity for 2016

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000
Equity beginning of year	10,000	14,252	0	50,237
Exchange rate adjustments	0	(389)	0	0
Transfer to reserves	0	0	2,882	(2,882)
Profit/loss for the year	0	13,839	0	2,585
Equity end of year	**10,000**	**27,702**	**2,882**	**49,940**

	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	0	74,489
Exchange rate adjustments	0	(389)
Transfer to reserves	0	0
Profit/loss for the year	15,000	31,424
Equity end of year	**15,000**	**105,524**

Notes

	2016 DKK'000	2015 DKK'000
1. Staff costs		
Wages and salaries	59,013	58,315
Pension costs	9,407	9,070
Other social security costs	797	1,130
Other staff costs	1,396	1,447
	70,613	**69,962**
Average number of employees	**133**	**137**

	Remunera-tion of manage-ment 2016 DKK'000	Remunera-tion of manage-ment 2015 DKK'000
Total amount for management categories	2,535	2,277
	2,535	**2,277**

The management categories comprise the Board of Directors and the Executive Board.

	2016 DKK'000	2015 DKK'000
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	500	500
Depreciation of property, plant and equipment	5,031	2,852
Profit/loss from sale of intangible assets and property, plant and equipment	160	(86)
	5,691	**3,266**

	2016 DKK'000	2015 DKK'000
3. Other financial income		
Financial income arising from group enterprises	1,767	860
Exchange rate adjustments	1,719	514
	3,486	**1,374**

Notes

	2016 DKK'000	2015 DKK'000
4. Other financial expenses		
Financial expenses from group enterprises	0	213
Interest expenses	2,636	1,590
Exchange rate adjustments	117	70
	2,753	**1,873**

	2016 DKK'000	2015 DKK'000
5. Tax on profit/loss for the year		
Tax on current year taxable income	5,219	2,871
Change in deferred tax for the year	1,250	(131)
	6,469	**2,740**

	2016 DKK'000	2015 DKK'000
6. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	15,000	0
Transferred to reserve for net revaluation according to the equity method	13,839	5,611
Retained earnings	2,585	14,846
	31,424	**20,457**
Dividend distributed after the balance sheet date		
Extraordinary dividend	2,000	0

Notes

	Goodwill DKK'000	Development projects in progress DKK'000
7. Intangible assets		
Cost beginning of year	10,000	0
Additions	0	3,695
Cost end of year	**10,000**	**3,695**
Amortisation and impairment losses beginning of year	(1,750)	0
Amortisation for the year	(500)	0
Amortisation and impairment losses end of year	**(2,250)**	**0**
Carrying amount end of year	**7,750**	**3,695**

Development projects in progress

Development projects in progress were completed 1 January 2017. There are no particular conditions regarding recognition or measurement of the projects at 31 December 2016.

Notes

	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve-ments DKK'000	Property, plant and equipment in progress DKK'000
8. Property, plant and equipment				
Cost beginning of year	16,006	2,722	353	0
Additions	11,949	1,142	0	6,338
Disposals	(211)	(248)	0	0
Cost end of year	**27,744**	**3,616**	**353**	**6,338**
Depreciation and impairment losses beginning of the year	(4,559)	(543)	(176)	0
Depreciation for the year	(4,048)	(912)	(71)	0
Reversal regarding disposals	55	139	0	0
Depreciation and impairment losses end of the year	**(8,552)**	**(1,316)**	**(247)**	**0**
Carrying amount end of year	**19,192**	**2,300**	**106**	**6,338**
Recognised assets not owned by entity	**12,249**	**420**	**-**	**-**

Notes

	Investments in group enterprises DKK'000	Other receivables DKK'000
9. Fixed asset investments		
Cost beginning of year	48,716	464
Additions	0	11
Disposals	0	(200)
Cost end of year	**48,716**	**275**
Revaluations beginning of year	14,252	0
Exchange rate adjustments	(389)	0
Amortisation of goodwill	(395)	0
Share of profit/loss for the year	13,581	0
Adjustment of intra-group profits	662	0
Impairment losses for the year	(9)	0
Revaluations end of year	**27,702**	**0**
Carrying amount end of year	**76,418**	**275**

The carrying amount of goodwill is DKK 6,244k.

	Registered in	Equity interest %
Investments in group enterprises comprise:		
JSB Composite (Zhuozhou) Co. Ltd.	China	100.0
Windkits LLC	PA, USA	100.0
JSB Composite Inc.	Kansas, USA	100.0
JSB Composite (Polska) Sp. z.o.o.	Poland	100.0

10. Prepayments

Prepayments comprise incurred costs relating to subsequent financial years.

Notes

	Number DKK'000	Par value DKK'000	Nominal value DKK'000
11. Contributed capital			
Share capital	100,000	0	10,000
	100,000		**10,000**

	Instalments within 12 months 2016 DKK'000	Instalments within 12 months 2015 DKK'000	Instalments beyond 12 months 2016 DKK'000	Outstanding after 5 years DKK'000
12. Liabilities other than provisions				
Bank loans	3,734	0	26,141	0
Finance lease liabilities	2,782	1,641	9,958	1,407
	6,516	**1,641**	**36,099**	**1,407**

	2016 DKK'000	2015 DKK'000
13. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	**8,176**	**10,104**

Notes

	2016	2015
	DKK'000	DKK'000
14. Contingent liabilities		
Recourse and non-recourse guarantee commitments	0	683
Contingent liabilities in total	**0**	**683**

The Entity participates in a Danish joint taxation arrangement in which “VC VIII JSB Jupiter ApS” serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from 13 May 2016 for income taxes etc and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company’s financial statements.

The Entity has previously participated in a Danish joint taxation arrangement with “WIND GROUP ApS under frivillig likvidation”, Central Business Registration No 32660711, as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable until 12 May 2016 for income taxes etc and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company’s financial statements.

15. Mortgages and securities

Bank loans are secured by way of a registered company charge of DKK 47,500k nominal and deposited shares in Windkits LLC. Total withdrawal on the banking arrangements amounts to DKK 128,670k as of 31 December 2016.

16. Related parties with controlling interest

VC VIII JSB Holding ApS, Ringkøbing, Denmark owns all the shares and thus controls the Entity.

17. Transactions with related parties

There have been no non-arm’s length transactions with related parties.

18. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: Winds Holding AS, reg. no. 917 105 839, Oslo, Norway.

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these financial statements are consistent with those applied last year.

Consolidated financial statements
Referring to S 112(1) Danish Financial Statements Act, no consolidated financial statements have been prepared. JSB Group A/S and its subsidiaries are included in the consolidated financial statements of Winds Holding AS.

Recognition and measurement
Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question are classified directly as equity.

Income statement
Gross profit or loss
Gross profit or loss comprises revenue, cost of raw materials and consumables and external expenses.

Accounting policies

Revenue
Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Cost of sales
Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses
Other external expenses include expenses relating to the Entity’s ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs
Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses
Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Income from investments in group enterprises
Income from investments in group enterprises comprises the pro rata share of the individual enterprises’ profit/loss after full elimination of intra-group profits or losses.

Other financial income
Other financial income comprises interest income, including interest income on receivables from group enterprises, payables and transactions in foreign currencies, as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Income taxes
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Accounting policies

The Entity is jointly taxed with all Danish Group entities. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Goodwill

Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If it is not possible to estimate the useful life reliably, it is set at 10 years. Useful lives are reassessed on an annual basis. The amortisation periods used are 20 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc

Intellectual property rights etc comprise development projects in progress.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under “Reserve for development expenditure” that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly attributable to the development projects.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-constructed assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs. For assets held under finance leases, cost is the lower of the asset’s fair value and present value of future lease payments.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each asset.

Accounting policies

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Plant and machinery	3-6 years
Other fixtures and fittings, tools and equipment	5 years
Leasehold improvements	3-5 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation periods used are 20 years.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Accounting policies

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash
Cash comprises bank deposits.

Dividend
Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Finance lease liabilities
Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable
Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Accounting policies

Cash flow statement

Pursuant to S 86(4) Danish Financial Statements Act, the Company has not prepared a cash flow statement as it is included in the group cash flow statement of Winds Holding AS.