

Boilerworks A/S

Papegøjevej 7, 6270 Tønder

CVR no. 35 22 67 88

Annual Report 2018/19

Approved at the Company's annual general meeting on 29 July 2019

Chairman:

A handwritten signature in blue ink, appearing to read 'E. P. A.', is written over a horizontal line of small dots.

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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 Boilerworks A/S for the financial year 1 April 2018 – 31 March 2019

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

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 31 March 2019 and of the results of the Company's operations for the financial year 1 April 2018 – 31 March 2019.


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

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

Tønder, 16 May 2019
Executive Board:


Jan Enemark

Board of Directors:


Hemant Prabhakar Mohgaonkar
Chairman
Amitabha Mukhopadhyay
Vice Chairman
Jan Enemark

Independent auditor's report

To the shareholders of Boilerworks A/S

Opinion

We have audited the financial statements of Boilerworks A/S for the financial year 1 April 2018 - 31 March 2019, which comprise income statement, balance sheet, statement of changes in equity, and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 March 2019 and of the results of the Company's operations and cash flows for the financial year 1 April 2018 - 31 March 2019 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 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 Company 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 financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance 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.

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.

Independent auditor's report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

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 Statement Act. We did not identify any material misstatement of the Management's review.

Esbjerg, 16 May 2019

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 | Boilerworks A/S |
| Address | Papegøjevej 7 |
| Zip code, city | DK-6270 Tønder |

| | |
|-------------------|--------------------|
| CVR no. | 35 22 67 88 |
| Established | 12 April 2013 |
| Registered office | Tønder |
| Financial year | 1 April - 31 March |

| | |
|-----------|-----------------|
| Telephone | +45 73 64 48 50 |
| Fax | +45 75 64 48 51 |

| | |
|--------------------|--|
| Board of Directors | Hemant Prabhakar Mohgaonkar (Chairman) Amitabha Mukhopadhyay (Vice Chairman) Jan Enemark |
|--------------------|--|

| | |
|-----------------|-------------|
| Executive Board | Jan Enemark |
|-----------------|-------------|

| | |
|----------|---|
| Auditors | Ernst & Young Godkendt Revisionspartnerselskab Havnegade 33 DK-6700 Esbjerg |
|----------|---|

Management's review

Financial highlights

| DKK'000 | 2018/19 | 2017/18 | 2016/17 | 2015/16 | 2014/15 |
|--|---------|---------|---------|---------|---------|
| Key figures | | | | | |
| Gross profit | -4,199 | 13,086 | 8,800 | 11,773 | 7,893 |
| Ordinary operating profit/loss | -17,055 | 52 | -2,619 | 429 | -2,871 |
| Profit/loss before tax | -17,687 | 129 | -2,770 | 66 | -3,231 |
| Profit/loss for the year | -13,797 | 106 | -2,164 | 191 | -2,376 |
| Financial ratios | | | | | |
| Total assets | 38,126 | 36,777 | 27,428 | 26,566 | 23,279 |
| Investment in property, plant and equipment | 1,045 | 308 | 789 | 660 | 218 |
| Equity | -13,284 | 615 | 355 | 2,531 | 2,311 |
| Equity ratio | - | 1.7 | 1.3 | 9.5 | 9.9 |
| Return on equity | - | 21.9 | -149.9 | 7.9 | -67.5 |
| Average number of full-time employees | | | | | |
| Average number of full-time employees | 82 | 82 | 82 | 78 | 70 |

For terms and definitions, please see the accounting policies.

Management's review

Operating review

Principal activities of the Company

Boilerworks A/S, which has its registered address in the Danish municipality of Toender, is a fully owned subsidiary of Danstoker A/S. The ultimate parent company of the company is RDA Holdings Private Limited, Pune, India, which holds the majority through the listed company Thermax Ltd., Pune, India.

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.

The Company has succeeded in re-establishing its previous position as one of the leading manufacturers of components for high pressures and temperatures for the most advanced pressurized systems.

Development in activities and financial position

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

The overall results achieved by Boilerworks this year are lower than provided for in the budget. The result achieved is not satisfactory, and is mainly caused by major overruns in 3 projects.

The profit for the year before tax is DKK -17,687 thousand and after tax DKK -13,797 thousand.

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.

Future outlook

Boilerworks' total volume of orders at the end of the financial year is satisfactory.

Boilerworks will focus on the Lean concept, the optimization process in general and the order fulfilment process in particular.

The aim is to generate a profitable, strong and independent enterprise at Boilerworks. The Management will work to maintain an attractive work place 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 prices agreed.

Moreover, Boilerworks aims at achieving optimal utilization of the production facilities.

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

The growing, necessary global political focus on CO₂ will contribute in the long term to making our CO₂-neutral products within biofuels even more relevant and will contribute to securing Boilerworks' continued positive development.

Satisfactory results are expected for the financial year 2019/20.

Events after the balance sheet date

A merger of Boilerworks A/S and Danstoker A/S is being planned.

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

Financial statements 1 April 2018 – 31 March 2019

Income statement

| Note | DKK'000 | 2018/19 | 2017/18 |
|------|---------------------------------|---------|---------|
| | Gross profit | -4,199 | 13,086 |
| | Sales and distribution costs | -2,064 | -943 |
| | Administrative expenses | -10,792 | -12,092 |
| | Operating profit/loss | -17,055 | 52 |
| | Financial income | 1,676 | 1,130 |
| 2 | Financial expenses | -2,308 | -1,053 |
| | Profit/loss before tax | -17,687 | 129 |
| 3 | Tax on profit/loss for the year | 3,890 | -23 |
| | Profit/loss for the year | -13,797 | 106 |

Financial statements 1 April 2018 – 31 March 2019

Balance sheet

| Note | DKK'000 | 2018/19 | 2017/18 |
|------|---|----------------------|----------------------|
| | ASSETS | | |
| | Non-current assets | | |
| 4 | Intangible assets | | |
| | Completed development projects | 2,296 | 0 |
| | Patents and licences | 8 | 28 |
| | Goodwill | 1,487 | 1,593 |
| | | <u>3,791</u> | <u>1,621</u> |
| 5 | Property, plant and equipment | | |
| | Plant and machinery | 1,146 | 1,306 |
| | Fixtures and fittings, tools and equipment | 381 | 287 |
| | | <u>1,527</u> | <u>1,593</u> |
| | Total non-current assets | <u>5,318</u> | <u>3,214</u> |
| | Current assets | | |
| | Inventories | | |
| | Raw materials and consumables | 2,298 | 2,191 |
| | Semi-finished goods | 388 | 293 |
| | | <u>2,686</u> | <u>2,484</u> |
| | Receivables | | |
| | Trade receivables | 6,714 | 3,192 |
| 6 | Work in progress (customer-specific orders) | 14,000 | 23,600 |
| | Amounts owed by group companies | 6,309 | 2,612 |
| | Other receivables | 848 | 1,194 |
| 7 | Prepayments | 232 | 481 |
| | | <u>28,103</u> | <u>31,079</u> |
| | Cash at bank and in hand | <u>2,019</u> | <u>0</u> |
| | Total current assets | <u>32,808</u> | <u>33,563</u> |
| | TOTAL ASSETS | <u>38,126</u> | <u>36,777</u> |

Financial statements 1 April 2018 – 31 March 2019

Balance sheet

| Note | DKK'000 | 2018/19 | 2017/18 |
|------|--|----------------|---------------|
| | EQUITY AND LIABILITIES | | |
| | Equity | | |
| | Share capital | 500 | 500 |
| | Reserve for development projects | 1,791 | 0 |
| | Retained earnings | -15,575 | 115 |
| | Total equity | -13,284 | 615 |
| | Provisions | | |
| 8 | Deferred tax | 1,155 | 1,613 |
| 9 | Other provisions | 300 | 729 |
| | Total provisions | 1,455 | 2,342 |
| | Liabilities | | |
| | Non-current liabilities other than provisions | | |
| 10 | Lease liabilities | 720 | 76 |
| | | 720 | 76 |
| | Current liabilities | | |
| 10 | Current portion of non-current liabilities other than provisions | 235 | 25 |
| | Bank loans | 5,998 | 8,241 |
| 8 | Prepayments received from customers | 4,259 | 2,881 |
| | Trade payables | 7,351 | 11,343 |
| | Amounts owed to group companies | 22,793 | 1,862 |
| | Other payables | 8,599 | 9,392 |
| | | 49,235 | 33,744 |
| | Total liabilities | 49,955 | 33,820 |
| | TOTAL EQUITY AND LIABILITIES | 38,126 | 36,777 |

- 1 Accounting policies
- 11 Employee relations
- 12 Charges, collateral and contingencies, etc.
- 13 Related parties

Financial statements 1 April 2018 – 31 March 2019

Statement of changes in equity

| Note | DKK'000 | Share capital | Reserve for development projects | Retained earnings | Total |
|------|--|---------------|----------------------------------|-------------------|---------|
| | Equity at 1 April 2018 | 500 | 0 | 115 | 615 |
| 14 | Transfer, see "Proposed profit/loss appropriation" | 0 | 1,791 | -15,588 | -13,797 |
| | Change in value of hedging instruments | 0 | 0 | -130 | -130 |
| | Tax on changes in equity | 0 | 0 | 28 | 28 |
| | Equity at 31 March 2019 | 500 | 1,791 | -15,575 | -13,284 |

The contributed capital consists of 1 share at a nominal value of DKK 500,000.

Financial statements 1 April 2018 – 31 March 2019

Notes to the financial statements

1 Accounting policies

The annual report of Boilerworks A/S for the period 1 April 2018 – 31 March 2019 has been prepared in accordance with the provisions applying to reporting class C medium-sized enterprises under the Danish Financial Statements Act.

Cash flow statements have not been prepared as the same are not required as per section 86(4) of the Danish Financial Statements Act. The annual report of Boilerworks A/S is part of the consolidated financial statements of the Danish parent company, Thermax Denmark ApS.

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

General comments on recognition and measurement

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 reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and the value of such liabilities can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned. Moreover, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment losses and provisions as well as reversals as a result of changes in accounting estimates of amounts that were previously recognised in the income statement.

Foreign currency translation

Transactions denominated in foreign currencies are translated into Danish kroner at the exchange rates at the transaction date. Exchange rate differences arising between the exchange rates at the transaction date and the exchange rate at the date of payment are recognised as a financial item in the income statement.

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 exchange rates at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised as financial income or financial expenses in the income statement.

Derivative financial instruments

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

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Financial statements 1 April 2018 – 31 March 2019

Notes to the financial statements

1 Accounting policies (continued)

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets and liabilities are recognised in other receivables or other payables and in equity. If the 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 forecast transaction results in income or expenses, amounts previously recognised in equity are transferred to the income statement in the period in which the hedged item affects profit or loss.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement on a regular basis.

Income statement

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement provided that delivery and transfer of risk to the buyer have taken place by the end of the year and that the income can be reliably measured and is expected to be received. Revenue is recognised ex. VAT and taxes charged on behalf of third parties.

Work in progress concerning customised production is recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (the percentage of completion method).

Production costs

Production costs comprise costs, including depreciation and amortisation and salaries, incurred in generating revenue for the year. Such costs include direct and indirect costs related to raw materials and consumables, wages and salaries, rent and leases as well as impairment losses on production plant.

Gross profit

In compliance with section 32 of the Danish Financial Statements Act, the Company has decided not to specify its revenue.

Sales and distribution costs

Sales and distribution costs comprise costs incurred for the distribution of goods sold during the year and for sales campaigns, etc., carried out during the year. Also, costs relating to sales staff, advertising, exhibition and depreciation are recognised as sales and distribution costs.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for management and administration of the Company, including expenses for administrative staff, office premises and office expenses as well as depreciation.

Financial income and expenses

Financial income and expenses comprise interest income and expense, capital gains and capital loss on securities, payables and transactions denominated in foreign currencies and amortisation of financial assets and liabilities.

Financial statements 1 April 2018 – 31 March 2019

Notes to the financial statements

1 Accounting policies (continued)

Tax on profit or loss from ordinary activities

The Company is covered by the Danish rules on compulsory joint taxation of the Thermax Denmark ApS. Subsidiaries form part of the joint taxation from the date on which they are included in the consolidation and up to the date on which they exit the consolidation.

The Danish parent company, Thermax Denmark ApS, is the administrative company for the joint taxation and therefore settles all payments of corporation tax with the tax authorities.

The current Danish corporation tax is allocated between the jointly taxed enterprises in proportion to their taxable income. In this relation, enterprises with tax loss carry-forwards receive joint taxation contribution from enterprises which have used these losses to reduce their own taxable profits. The jointly taxed enterprises are taxed under the tax prepayment scheme.

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, as it relates to enterprises in low-technological markets.

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining patent period, and licences are amortised over the licence period.

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 3 years.

Gains and losses on the disposal of development projects, patents and licences 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.

Financial statements 1 April 2018 – 31 March 2019

Notes to the financial statements

1 Accounting policies (continued)

Property, plant and equipment

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, sub suppliers, 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:

| | |
|--|------------|
| Fixtures and fittings, tools and equipment | 3-5 years |
| Plant and machinery | 3-10 years |

Depreciation is recognised in the income statement as production costs (gross profit), sales/ distribution costs and administrative expenses, respectively.

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

Leases for non-current assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are initially recognised in the balance sheet at cost, corresponding to the lower of fair value and the net present value of future lease payments. In calculating the net present value of the future lease payments, 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 depreciated as the Company's other non-current assets.

The capitalised residual lease obligation 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.

All other leases are treated as operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed in contingencies, etc.

Impairment of assets

The carrying amount of intangible assets and property, plant and equipment 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 expected net cash flows from the use of the asset or the group of assets and expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Financial statements 1 April 2018 – 31 March 2019

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

The net realisable value of inventories is calculated as the selling price less costs of completion and costs necessary to make the sale and is determined in consideration of marketability, obsolescence and development in expected selling price.

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 start of the order 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 immediately is 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 recognized as liabilities.

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

Prepayments

Prepayments comprise costs incurred in relation to subsequent financial years.

Financial statements 1 April 2018 – 31 March 2019

Notes to the financial statements

1 Accounting policies (continued)

Equity

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognised development costs are amortised or no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Dividends

Proposed dividends are recognised as a liability at the date of adoption by the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

According to the joint taxation rules, the enterprises' liability for their own corporation tax payments to the tax authorities is settled concurrently with payment of the joint taxation contribution to the administrative company.

Joint taxation contributions payable and receivable are recognised in the balance sheet under balances with group enterprises.

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.

Other provisions

Provisions comprise anticipated costs related to warranties. Provisions are recognised when – as the result of past events – the Company has a legal or constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation.

Warranties comprise obligations to make good 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.

Financial statements 1 April 2018 – 31 March 2019

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. In subsequent periods, the 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 obligation on finance leases.

Other liabilities are measured at net realisable value.

Financial ratios

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

| | |
|------------------|--|
| Equity ratio | $\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$ |
| Return on equity | $\frac{\text{Profit from ordinary activities after tax} \times 100}{\text{Average equity}}$ |

Financial statements 1 April 2018 – 31 March 2019

Notes to the financial statements

| DKK'000 | | 2018/19 | 2017/18 | | |
|---------|--|--------------------------------|----------------------|--------------|--------------|
| 2 | Financial expenses | | | | |
| | Interest expense to group enterprises | 51 | 35 | | |
| | Other interest expenses, including foreign exchange losses, etc. | 2,257 | 1,018 | | |
| | | <u>2,308</u> | <u>1,053</u> | | |
| 3 | Tax on profit/loss for the year | | | | |
| | Specified as follows: | | | | |
| | Current tax for the year | -3,432 | -72 | | |
| | Deferred tax adjustment for the year | -458 | 95 | | |
| | | <u>-3,890</u> | <u>23</u> | | |
| 4 | Intangible assets | | | | |
| | | Completed development projects | Patents and licences | Goodwill | Total |
| | DKK'000 | | | | |
| | Cost at 1 April 2018 | 210 | 1,019 | 2,116 | 3,345 |
| | Additions during the year | 2,924 | 0 | 0 | 2,924 |
| | Disposals during the year | 0 | -227 | 0 | -227 |
| | Cost at 31 March 2019 | <u>3,134</u> | <u>792</u> | <u>2,116</u> | <u>6,042</u> |
| | Impairment losses and depreciation at 1 April 2018 | 210 | 990 | 523 | 1,723 |
| | Depreciation, disposals | 0 | -227 | 0 | -277 |
| | Depreciation | <u>628</u> | <u>21</u> | <u>106</u> | <u>755</u> |
| | Impairment losses and depreciation at 31 March 2019 | <u>838</u> | <u>784</u> | <u>629</u> | <u>2,251</u> |
| | Carrying amount at 31 March 2019 | <u>2,296</u> | <u>8</u> | <u>1,487</u> | <u>3,791</u> |

Goodwill is amortised on a straight-line basis over a maximum amortisation period of 20 years, as it relates to enterprises in low-technological markets.

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

Financial statements 1 April 2018 – 31 March 2019

Notes to the financial statements

5 Property, plant and equipment

| DKK'000 | Plant and machinery | Fixtures and fittings, tools and equipment | Total |
|---|---------------------|--|--------|
| Cost at 1 April 2018 | 8,416 | 697 | 9,113 |
| Additions during the year | 848 | 197 | 1,045 |
| Disposals during the year | -1,639 | 0 | -1,638 |
| Cost at 31 March 2019 | 7,625 | 894 | 8,520 |
| Impairment losses and depreciation at 1 April 2018 | 7,109 | 410 | 7,519 |
| Depreciation | 842 | 103 | 946 |
| Depreciation, disposals | -1,472 | 0 | -1,472 |
| Impairment losses and depreciation at 31 March 2019 | 6,479 | 513 | 6,993 |
| Carrying amount at 31 March 2019 | 1,146 | 381 | 1,527 |
| Property, plant and equipment include finance leases with a carrying amount totalling | 695 | 225 | 920 |

| DKK'000 | 2018/19 | 2017/18 |
|--|----------|----------|
| 6 Work in progress (customer-specific orders) | | |
| Work in progress | 170,301 | 122,891 |
| Payments on account | -160,560 | -102,172 |
| | 9,741 | 20,719 |
| Recognised as follows: | | |
| Work in progress (customer-specific orders) (assets) | 14,000 | 23,600 |
| Prepayments received from customers (liabilities) | -4,259 | -2,881 |
| | 9,741 | 20,719 |

7 Prepayments

Prepayments comprise prepaid insurance premium, and other prepaid costs.

Financial statements 1 April 2018 – 31 March 2019

Notes to the financial statements

| | DKK'000 | 2018/19 | 2017/18 |
|---|--------------------------|---------|---------|
| 8 | Deferred tax | | |
| | Deferred tax at 1 April | 1,613 | 1,518 |
| | Deferred tax adjustment | -458 | 95 |
| | Deferred tax at 31 March | 1,155 | 1,613 |

- 9 Other provisions
Other provisions consists of custom warranties.

10 Non-current liabilities

| | Total liabilities at 31/03 2019 | Repayment, next year | Non-current portion | Outstanding debt after 5 years |
|-------------------|---------------------------------|----------------------|---------------------|--------------------------------|
| DKK'000 | | | | |
| Lease liabilities | 955 | 235 | 720 | 0 |
| | 955 | 235 | 720 | 0 |

| | DKK'000 | 2018/19 | 2017/18 |
|----|--|---------|---------|
| 11 | Employee relations | | |
| | Wages and salaries | 43,568 | 40,769 |
| | Pensions | 2,696 | 2,589 |
| | Other social security costs | 185 | 187 |
| | | 46,449 | 43,545 |
| | Remuneration of the Executive Board and the Board of Directors | 0 | 0 |
| | Average number of full-time employees | 82 | 82 |

12 Charges, collateral and contingencies

Lease obligations (operating leases) falling due within 30 months total DKK 235 thousand, hereof DKK 94 thousand is falling due in 2019/20.

Performance bonds and advance payment guarantees issued by guarantors' amount to DKK 33,939 thousand.

The Company has entered project-related forward exchange contracts, concerning currency in SEK 39,886 thousand with a net position as of 31 March 2019 of DKK 43 thousand.

The Company is jointly taxed with the Danish parent company and 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.

Financial statements 1 April 2018 – 31 March 2019

Notes to the financial statements

13 Related parties

Boilerworks A/S' related parties comprise the following:

Parties exercising control

Danstoker A/S holds the majority of the share capital in the Company.

Related party transactions

Transactions with related parties are specified as follows:

| DKK'000 | 2018/19 | 2017/18 |
|---|---------|---------|
| Financial expenses | 51 | 35 |
| Revenue | 6,398 | 7,154 |
| Production costs | 3,999 | 3,259 |
| Rent | 2,040 | 2,040 |
| Amounts owed by group companies (Receivables) | 6,309 | 2,612 |
| Amounts owed to group companies (Liabilities) | 22,793 | 1,862 |

Information about consolidated financial statements

| Parent | Domicile | Requisitioning of the parent's consolidated financial statements |
|---------------------|----------|--|
| Thermax Denmark ApS | Denmark | www.erhvervsstyrelsen.dk |
| Thermax Ltd. | India | www.thermaxglobal.com |

| DKK'000 | 2018/19 | 2017/18 |
|--|---------|---------|
| 14 Proposed profit/loss | | |
| Transferred to reserves for development projects | 1,791 | 0 |
| Transferred to reserves under equity | -15,588 | 106 |
| | -13,797 | 106 |