

Global Castings Lem A/S

Smed Hansens Vej 27, 6940 Lem
CVR no. 35 51 50 46

Annual report for 2016

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 31.05.17

Allan Harritslev Nielsen
Dirigent

Company information etc.	3
Management's statement	4
Independent auditor's reports	5 - 7
Management's review	8 - 11
Income statement	12
Balance sheet	13 - 14
Statement of changes in equity	15
Notes	16 - 26

The company

Global Castings Lem A/S
Smed Hansens Vej 27
6940 Lem

Registered office: Ringkøbing-Skjern
CVR no.: 35 51 50 46
Founded: 07. oktober 2013
Financial year: 01.01 - 31.12

Executive Board

Peter Christian Pallishøj

Board Of Directors

Stefan Brandt, chairman
Michael Engelen
Peter Christian Pallishøj

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Parent company

Global Castings Holding A/S, Lem

We have on this day presented the annual report for the financial year 01.01.16 - 31.12.16 for Global Castings Lem A/S.

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

In our opinion, the financial statements give a true and fair view of the the company's assets, liabilities and financial position as at 31.12.16 and of the results of the the company's activities for the financial year 01.01.16 - 31.12.16.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Lem, May 31, 2017

Executive Board

Peter Christian Pallishøj

Board Of Directors

Stefan Brandt
Chairman

Michael Engelen

Peter Christian Pallishøj

To the Shareholder of Global Castings Lem A/S**Opinion**

We have audited the financial statements of Global Castings Lem A/S for the financial year 01.01.16 - 31.12.16, which comprise the income statement, balance sheet, statement of changes in equity and notes, inclusive of accounting policies. The financial statements are prepared in accordance with Danish Financial Statements Act

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31.12.16 and of the results of the company's operations for the financial year 01.01.16 - 31.12.16 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Statement regarding the management's review

Management is responsible for management's review.

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

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

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

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

Management's responsibility for the financial statements

The Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore the Management is responsible for the internal control as the 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 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 International Standards on Auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

Soeborg, Copenhagen, May 31, 2017

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Peter Nordahl
State Authorized Public Accountant

FINANCIAL HIGHLIGHTS**Key figures**

Figures in DKK '000	2016	2015	2013/14
<i>Profit/loss</i>			
Gross profit	79.255	105.064	192.088
Profit before depreciation and amortisation	2.635	30.392	110.330
Operating profit/loss	-5.975	22.738	101.576
Total net financials	-183	-927	162
Profit/loss before tax	-6.159	21.811	101.738
Profit/loss for the year	-4.826	16.833	84.085

Balance

Total assets	47.506	83.858	205.748
Investments in property, plant and equipment	6.354	3.222	9.859
Equity	16.091	40.918	154.085

Ratios

	2016	2015	2013/14
<i>Profitability</i>			
Return on equity	-17%	17%	109%
<i>Equity ratio</i>			
Equity interest	34%	49%	75%

Definition of key figure

Return on equity:	$\frac{\text{Profit/loss for the year x} \\ 100}{\text{Average equity}}$
Equity interest:	$\frac{\text{Equity, end of year x} \\ 100}{\text{Total assets}}$

The ratios have been computed in accordance with the recommendations of the Danish Society of Financial Analysts (Den Danske Finansanalytikerforening).

Primary activities

The company's activities comprise in machining and surface treatment of large casted components to leading manufacturers within the wind industry.

The activity is divided between machining and surface treatment of components from Global Castings Group's own foundries and sale of free capacity for strategic customers.

Development in activities and financial affairs

The income statement for the period 01.01.16 - 31.12.16 shows a profit/loss of DKK -4,826,489 against DKK 16,833,000 for the period 01.01.15 - 31.12.15. The balance sheet shows equity of DKK 16,091,477.

The revenue is primarily within the group.

In 2016, 5.619 TDKK has been invested in fixed assets.

Outlook

In 2017, the global market demand for wind turbines is expected to remain on the high level of 2016. In this environment, Global Castings Lem expects to increase its total sales and revenue, mainly driven by sales of new customers' products, which are currently in introduction. Price pressure from customers and general cost increases are expected to be countered by further efficiency increases and cost reductions. Overall, Global Castings Lem expects an increase of its EBITDA in 2017. Global Castings Lem A/S expects continued positive cash flows because of the expensed depreciation in the income statement.

For the long-term future, from 2017 to 2026, the market research institute MAKE expects a compounded annual growth rate (CAGR) of the global wind turbine industry of more than 3%, resulting in the addition of 627GW of wind capacity globally. Global Castings intends to participate in this growth, which will be supported by the broadening of the customer basis, the existing global footprint, the current expansions of own production capacity and the market tendency to larger wind turbines with higher casting intensity per MW. Cost-out expectations of the customers shall be met by continuous improvement and efficiency increases.

Special risks

Global Castings Lems business is exposed to several internal and external risks and uncertainties, among which the following:

- The world-wide wind turbine business is supported by subsidies, tax holidays and other

public benefits and regulations, and thereby exposed to political and other changes in that area. The demand for wind turbines and subsequently for Global Castings' products can be significantly influenced by fluctuations in the public and political support.

- The US market is one of the largest markets for wind turbines in the Western world and big castings are often imported from China and other countries. A change of the energy or trade policy of the US government can have a significant impact on the wind turbine business and Global Castings' sales to the US.
- All wind turbine producers face an increasing competition and wind parks are often awarded by means of electronic auctions. The resulting price pressure on wind turbines leads to cost-out requests from wind turbine producers towards their suppliers, like Global Castings.
- Due to the history of Global Castings Lem as a former business unit of Vestas, Vestas is still the main customer of Global Castings Lem with a share in Global Castings Lems revenue of more than 50%.

Global Castings Lem manages these and other risks and uncertainties by several measures, among which (a) the utilization of Global Castings' global footprint in Europe and Asia and unique position as an integrated casting-, machining- and surface treatment provider to optimize market supply between the different continents, (b) continuous improvement activities at all facilities in order to increase efficiency and reduce the own cost basis, (c) broadening the customer base by onboarding new customers in order to achieve a more balanced customer portfolio and reduce dependency and (d) closely monitoring the relevant markets and political situations in order to act and adjust proactively and quickly.

Global Castings Lem maintains a pragmatic and efficient information and risk management systems. The ERP system and IT platforms have been expanded and will be further developed during the coming years. Internal control measures are in place and will be integrated into the existing ERP-system where possible.

External environment

The company acts in accordance with the applicable environmental and security legislation, and are working according to the ISO 14001 standard.

Corporate social responsibility

Global Castings Lem A/S has ethical rules regarding employees and external business partners. Global Castings Lem A/S respect the companies social responsibility (CSR) and support the principles for human rights, labour rights, the environment, anticorruptions etc. according to the UN Guiding Principles on Business and Human Rights. Global Castings Lem A/S truly believes in "safety first".

Income statement

Note		2016 DKK	2015 DKK '000
	Gross profit	79.254.797	105.064
1	Staff costs	-76.619.924	-74.672
	Profit before depreciation, amortisation, write-downs and impairment losses	2.634.873	30.392
	Depreciation, amortisation, impairment losses and write-downs of property, plant and equipment	-8.610.161	-7.654
	Operating profit/loss	-5.975.288	22.738
	Financial income	332.938	76
	Financial expenses	-516.181	-1.003
	Profit/loss before tax	-6.158.531	21.811
2	Tax on profit or loss for the year	1.332.042	-4.978
	Profit/loss for the year	-4.826.489	16.833

Balance sheet

ASSETS		31.12.16	31.12.15
Note		DKK	DKK '000
	Acquired rights	5.196.646	8.031
4	Total intangible assets	5.196.646	8.031
	Plant and machinery	23.265.735	25.540
	Property, plant and equipment under construction	2.852.861	735
5	Total property, plant and equipment	26.118.596	26.275
	Total non-current assets	31.315.242	34.306
	Raw materials and consumables	655.359	4.895
	Work in progress	2.526.953	3.159
	Manufactured goods and goods for resale	1.034.092	951
	Total inventories	4.216.404	9.005
	Trade receivables	10.185.121	11.279
	Receivables from group enterprises	1.227.686	18.372
	Other receivables	248.086	6.915
6	Prepayments	261.686	250
	Total receivables	11.922.579	36.816
	Cash	51.389	3.731
	Total current assets	16.190.372	49.552
	Total assets	47.505.614	83.858

EQUITY AND LIABILITIES		31.12.16	31.12.15
Note		DKK	DKK '000
7	Share capital	1.000.000	1.000
	Retained earnings	15.091.477	19.918
	Proposed dividend for the financial year	0	20.000
	Total equity	16.091.477	40.918
8	Provisions for deferred tax	4.044.542	5.377
	Total provisions	4.044.542	5.377
	Trade payables	6.928.092	17.824
	Payables to group enterprises	5.456.534	0
	Income taxes	0	6.581
	Other payables	14.984.969	13.158
	Total short-term payables	27.369.595	37.563
	Total payables	27.369.595	37.563
	Total equity and liabilities	47.505.614	83.858
9	Contingent liabilities		
10	Related parties		

Statement of changes in equity

Figures in DKK	Share capital	Retained dividend for the earnings	Proposed financial year
Statement of changes in equity for 01.01.15 - 31.12.15			
Balance as at 01.01.15	1.000.000	23.084.581	130.000.000
Dividend paid	0	0	-130.000.000
Net profit/loss for the year	0	-3.166.615	20.000.000
Balance as at 31.12.15	1.000.000	19.917.966	20.000.000
Statement of changes in equity for 01.01.16 - 31.12.16			
Balance as at 01.01.16	1.000.000	19.917.966	20.000.000
Dividend paid	0	0	-20.000.000
Net profit/loss for the year	0	-4.826.489	0
Balance as at 31.12.16	1.000.000	15.091.477	0

	2016 DKK	2015 DKK '000
1. Staff costs		
Wages and salaries	71.903.645	69.883
Pensions	2.995.829	2.804
Other social security costs	1.148.210	1.186
Other staff costs	572.240	799
Total	76.619.924	74.672
Average number of employees during the year	141	139

Remuneration of the Manager and Board of Directors does not appear from the note with reference to the provisions in The Danish Financial Statements Act (Årsregnskabsloven) article 98B, part 3.

2. Tax on profit or loss for the year

Current tax for the year	0	6.581
Adjustment of deferred tax for the year	-1.332.042	-1.603
Total	-1.332.042	4.978

	2016 DKK	2015 DKK '000
3. Distribution of net profit		
Proposed dividend for the financial year	0	20.000
Retained earnings	-4.826.489	-3.167
Total	-4.826.489	16.833

4. Intangible assets

Figures in DKK	Acquired rights
Cost as at 01.01.16	14.172.670
Cost as at 31.12.16	14.172.670
Amortisation and impairment losses as at 01.01.16	-6.141.490
Amortisation during the year	-2.834.534
Amortisation and impairment losses as at 31.12.16	-8.976.024
Carrying amount as at 31.12.16	5.196.646

5. Property, plant and equipment

Figures in DKK	Plant and machinery	Property, plant and equipment under construction
Cost as at 01.01.16	35.955.432	735.000
Additions during the year	2.766.409	2.852.861
Transfers during the year to/from other items	735.000	-735.000
Cost as at 31.12.16	39.456.841	2.852.861
Depreciation and impairment losses as at 01.01.16	-10.415.484	0
Depreciation during the year	-5.775.622	0
Depreciation and impairment losses as at 31.12.16	-16.191.106	0
Carrying amount as at 31.12.16	23.265.735	2.852.861
	31.12.16 DKK	31.12.15 DKK '000

6. Prepayments

Other prepayments	261.686	250
Total	261.686	250

7. Share capital

The share capital consists of:

	Quantity	Nominal value
Class A shares	1.000	1.000.000

	31.12.16 DKK	31.12.15 DKK '000
8. Deferred tax		
Deferred tax as at 01.01.16	5.376.584	6.980
Deferred tax recognised in the income statement	-1.332.042	-1.603
Deferred tax as at 31.12.16	4.044.542	5.377

9. Contingent liabilities

Lease commitments

The company has concluded lease agreements with terms to maturity of 3-7 years and total lease payments of DKK 3.425k.

10. Related parties

Controlling influence:	Basis of influence
Global Castings Holding A/S, Lem	Parent company
Global Castings A/S, Lem	Intermediate parent company
Global Castings GmbH & Co. KG, Germany	Intermediate parent company
VTC Industriebeteiligungen GmbH & Co. KG., Germany	Ultimate parent company

Related party transactions are not disclosed, as all transactions are entered into in the ordinary course of business at arms' length.

Receivables from group companies recognised under current assets and short-term payables to group enterprises consist of balances which are settled on an ongoing basis and in accordance with the company's standard terms of agreement and payment. No write-downs have been made on the receivables.

The company is included in the consolidated financial statements of the parent VTC Industriebeteiligungen GmbH & Co. KG., Germany.

11. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for medium-sized enterprises in reporting class C.

Change in accounting policies

The company has implemented amendments to the Danish Financial Statements Act, see act no. 738 amending the Danish Financial Statements Act of 1 June 2015 (*lov nr. 738 om ændring af årsregnskabsloven m.v. af 1. juni 2015*). This includes new and amended disclosure and presentation requirements and amendments to provisions on recognition, measurement and classification. Amendments to provisions on recognition and measurement as well as classification are as follows:

Reassessment of residual values of property, plant and equipment

Previously, residual values of property, plant and equipment with limited useful lives were determined at the date of acquisition of the asset. In future, an annual revaluation of the residual values of property, plant and equipment must be carried out. In accordance with section 4 of the provisional executive order, the residual values of property, plant and equipment will initially be reassessed in 2016 by way of a change in accounting policies. The change in accounting policy has no impact on the net profit, equity and balance sheet.

Except for the areas mentioned above, the accounting policies have been applied consistently with the previous 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.

11. Accounting policies - continued -**CURRENCY**

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

LEASES

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

INCOME STATEMENT**Gross profit**

Gross profit comprises revenue, other operating income and raw materials and consumables and other external expenses.

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

11. Accounting policies - continued -**Costs of raw materials and consumables**

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

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 losses

The amortisation and depreciation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated/amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value, per cent
Acquired rights	5	0
Plant and machinery	3-10	10

The basis of depreciation/amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation/amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

11. Accounting policies - continued -**Other net financials**

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

BALANCE SHEET**Intangible assets***Acquired rights*

Acquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

Property, plant and equipment

Property, plant and equipment comprise plant and machinery

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

11. Accounting policies - continued -

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Property, plant and equipment under construction

Property, plant and equipment under construction are measured at cost. Costs incurred on property, plant and equipment under construction are transferred to the relevant asset category when the asset is ready for use.

Gains and losses on the disposal of property, plant and equipment

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation/amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

11. Accounting policies - continued -**Inventories**

Inventories are measured at cost calculated according to the FIFO principle. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The cost of manufactured finished goods and work in progress is determined as the value of direct and indirect material and labour costs. Production overheads include indirect material and labour costs as well as maintenance and depreciation of machinery, buildings and equipment used in the production process as well as the costs of factory administration and management. Interest on loans arranged to finance production is not included in the cost.

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

Receivables

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

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

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

Equity

The proposed dividend for the financial year is recognised as a separate item in equity.

11. Accounting policies - continued -**Current and deferred tax**

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

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

CASH FLOW STATEMENT

Referring to section 86(4) of the Danish Financial Statements Act a cash flow statement has not been prepared as the enterprise is included in the consolidated cash flow statement.