

**Harbour Group Holding
ApS**
Amerikavej 1
6700 Esbjerg
Central Business Registration
No 36943378

Annual report 2017

The Annual General Meeting adopted the annual report on 16.04.2018

Chairman of the General Meeting

Name: Mikael Hedager Würtz

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Entity details

Entity

Harbour Group Holding ApS

Amerikavej 1

6700 Esbjerg

Central Business Registration No (CVR): 36943378

Registered in: Esbjerg

Financial year: 01.01.2017 - 31.12.2017

Executive Board

Kristian Svarrer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Dokken 8

Postbox 200

6701 Esbjerg

Statement by Management on the annual report

The Executive Board have today considered and approved the annual report of Harbour Group Holding ApS for the financial year 01.01.2017 - 31.12.2017.

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

In my opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations and cash flows for the financial year 01.01.2017 - 31.12.2017.

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

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

Esbjerg, 16.04.2018

Executive Board

Kristian Svarrer

Independent auditor's report

To the shareholders of Harbour Group Holding ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of Harbour Group Holding ApS for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2017, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group 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 consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and 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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 exists. Misstatements

Independent auditor's report

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 consolidated financial statements and parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the 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 consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the 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 consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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 consolidated financial statements and the parent 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.

Esbjerg, 16.04.2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Jørn Jepsen
State Authorised Public Accountant
Identification No (MNE) mne24824

Management commentary

	2017 DKK'000	2016 DKK'000	2015 DKK'000
Financial highlights			
Key figures			
Gross profit	74,924	64,569	52,872
Operating profit/loss	5,334	9,674	7,390
Net financials	(751)	(1,239)	(1,719)
Profit/loss for the year	2,373	6,465	4,321
Total assets	111,033	117,570	115,794
Investments in property, plant and equipment	1,784	4,345	66,418
Equity incl minority interests	26,347	31,166	27,624

Ratios

Return on equity (%)	8.3	22.0	15.6
Equity ratio (%)	23.7	26.5	23.9

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

Ratios	Calculation formula	Calculation formula reflects
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity incl minority interests}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity incl minority interests} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The company's activity consists in holding shares in affiliated companies. The Group's business is shipping and freight forwarding company. In addition, operated terminal services, offshore activities and operated stevedoring company with loading and unloading of ships.

Development in activities and finances

The result for 2017 lives up to the expectations.

Equity amount to 26,347 tDKK of a balance total sheet of 111,033 tDKK corresponding to a solvency ratio of 23.7% which is satisfactory. Liquidity has developed positively and satisfactory.

Management believes that the income statement, balance sheet and cash flow statement and accompanying notes contain all material information for the assessment of the company's profit in the past year and the financial position at the end of the year.

Outlook

The company expects a positive result in 2018.

Particular risks

The main risks relate to the general development within the individual market segments. In addition, the Group has significant revenue in foreign currency, so competitiveness is affected by changes in the price.

Environmental performance

The Group is environmentally conscious and is continuously working to reduce the environmental impact of corporate operations.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Gross profit		74,924	64,569
Staff costs	1	(64,254)	(49,135)
Depreciation, amortisation and impairment losses	2	(5,336)	(5,760)
Operating profit/loss		5,334	9,674
Other financial income		534	193
Financial expenses from group enterprises		(6)	(8)
Other financial expenses		(1,279)	(1,424)
Profit/loss before tax		4,583	8,435
Tax on profit/loss for the year	3	(2,210)	(1,970)
Profit/loss for the year	4	2,373	6,465

Consolidated balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Acquired intangible assets		7	9
Acquired licences		2	13
Intangible assets	5	9	22
Land and buildings		41,715	45,271
Other fixtures and fittings, tools and equipment		6,722	9,977
Property, plant and equipment in progress		0	770
Property, plant and equipment	6	48,437	56,018
Other investments		363	419
Deposits		55	81
Other receivables		763	787
Fixed asset investments	7	1,181	1,287
Fixed assets		49,627	57,327
Manufactured goods and goods for resale		2,254	2,599
Inventories		2,254	2,599
Trade receivables		46,670	49,859
Contract work in progress		1,603	1,840
Receivables from group enterprises		236	0
Deferred tax	8	0	276
Other receivables		2,292	2,270
Prepayments		1,195	1,060
Receivables		51,996	55,305
Cash		7,156	2,339
Current assets		61,406	60,243
Assets		111,033	117,570

Consolidated balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Contributed capital		1,000	1,000
Retained earnings		21,347	19,027
Proposed dividend		4,000	4,000
Equity attributable to the Parent's owners		26,347	24,027
Share of equity attributable to minority interests		0	7,139
Equity		26,347	31,166
Deferred tax	8	1,258	1,048
Provisions		1,258	1,048
Mortgage debt		17,602	19,091
Finance lease liabilities		803	1,196
Other payables		1,943	2,274
Non-current liabilities other than provisions		20,348	22,561
Current portion of long-term liabilities other than provisions		2,035	2,074
Bank loans		7,601	8,822
Finance lease liabilities		0	21
Prepayments received from customers		1,646	1,342
Contract work in progress		725	215
Trade payables		31,111	26,817
Payables to group enterprises		0	867
Income tax payable		1,492	2,074
Other payables		18,470	20,563
Current liabilities other than provisions		63,080	62,795
Liabilities other than provisions		83,428	85,356
Equity and liabilities		111,033	117,570
Unrecognised rental and lease commitments	10		
Contingent liabilities	11		
Assets charged and collateral	12		
Transactions with related parties	13		
Group relations	14		
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Consolidated statement of changes in equity for 2017

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Share of equity attributable to minority interests DKK'000
Equity beginning of year	1,000	19,027	4,000	7,139
Effect of mergers and business combinations	0	4,743	0	0
Effect of divestments of entities etc	0	0	0	(6,467)
Ordinary dividend paid	0	0	(4,000)	0
Exchange rate adjustments	0	(898)	0	(863)
Value adjustments	0	293	0	0
Profit/loss for the year	0	(1,818)	4,000	191
Equity end of year	1,000	21,347	4,000	0
				Total DKK'000
Equity beginning of year				31,166
Effect of mergers and business combinations				4,743
Effect of divestments of entities etc				(6,467)
Ordinary dividend paid				(4,000)
Exchange rate adjustments				(1,761)
Value adjustments				293
Profit/loss for the year				2,373
Equity end of year				26,347

Consolidated cash flow statement for 2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Operating profit/loss		5,334	9,674
Amortisation, depreciation and impairment losses		5,336	5,760
Working capital changes	9	5,188	(7,920)
Cash flow from ordinary operating activities		15,858	7,514
Financial income received		534	193
Financial income paid		(1,285)	(1,432)
Income taxes refunded/(paid)		(2,306)	(2,315)
Cash flows from operating activities		12,801	3,960
Acquisition etc of property, plant and equipment		(1,784)	(4,345)
Sale of property, plant and equipment		2,823	1,828
Acquisition of fixed asset investments		(1,473)	0
Sale of fixed asset investments		106	1,949
Other cash flows from investing activities		0	(9)
Cash flows from investing activities		(328)	(577)
Repayments of loans etc		(2,273)	(645)
Dividend paid		(4,000)	(3,000)
Cash flows from financing activities		(6,273)	(3,645)
Increase/decrease in cash and cash equivalents		6,200	(262)
Cash and cash equivalents beginning of year		(6,483)	(6,221)
Currency translation adjustments of cash and cash equivalents		(162)	0
Cash and cash equivalents end of year		(445)	(6,483)
Cash and cash equivalents at year-end are composed of:			
Cash		7,156	2,339
Short-term debt to banks		(7,601)	(8,822)
Cash and cash equivalents end of year		(445)	(6,483)

Notes to consolidated financial statements

	2017 DKK'000	2016 DKK'000
1. Staff costs		
Wages and salaries	58,864	44,655
Pension costs	4,244	3,314
Other social security costs	379	516
Other staff costs	767	650
	64,254	49,135
Average number of employees	129	118
	2017 DKK'000	2016 DKK'000
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	11	13
Depreciation of property, plant and equipment	5,648	6,554
Impairment losses on property, plant and equipment	678	0
Profit/loss from sale of intangible assets and property, plant and equipment	(1,001)	(807)
	5,336	5,760
	2017 DKK'000	2016 DKK'000
3. Tax on profit/loss for the year		
Current tax	1,517	2,006
Change in deferred tax	459	(36)
Adjustment concerning previous years	234	0
	2,210	1,970
	2017 DKK'000	2016 DKK'000
4. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	4,000	4,000
Retained earnings	(1,818)	2,342
Minority interests' share of profit/loss	191	123
	2,373	6,465

Notes to consolidated financial statements

	Acquired intangible assets DKK'000	Acquired licences DKK'000	
5. Intangible assets			
Cost beginning of year	13	36	
Exchange rate adjustments	0	(5)	
Transfers	125	10	
Cost end of year	138	41	
Amortisation and impairment losses beginning of year	(4)	(23)	
Exchange rate adjustments	0	4	
Transfers	(125)	(11)	
Amortisation for the year	(2)	(9)	
Amortisation and impairment losses end of year	(131)	(39)	
Carrying amount end of year	7	2	
	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
6. Property, plant and equipment			
Cost beginning of year	51,141	14,290	770
Exchange rate adjustments	(1,373)	(184)	(92)
Transfers	17,103	22,008	0
Additions	373	1,411	0
Disposals	0	(4,558)	0
Cost end of year	67,244	32,967	678
Depreciation and impairment losses beginning of year	(5,870)	(4,313)	0
Exchange rate adjustments	0	89	0
Transfers	(16,798)	(22,010)	0
Impairment losses for the year	0	0	(678)
Depreciation for the year	(2,861)	(2,747)	0
Reversal regarding disposals	0	2,736	0
Depreciation and impairment losses end of year	(25,529)	(26,245)	(678)
Carrying amount end of year	41,715	6,722	0
Recognised assets not owned by entity	-	1,187	-

Notes to consolidated financial statements

	Other investments DKK'000	Deposits DKK'000	Other receivables DKK'000
7. Fixed asset investments			
Cost beginning of year	419	51	4,328
Disposals on divestments etc	(56)	0	0
Additions	0	30	(3,541)
Disposals	0	(26)	(24)
Cost end of year	363	55	763
Carrying amount end of year	363	55	763
			2017 DKK'000
8. Deferred tax			
Changes during the year			
Beginning of year			772
Recognised in the income statement			486
End of year			1,258
		2017 DKK'000	2016 DKK'000
9. Change in working capital			
Increase/decrease in inventories		50	594
Increase/decrease in receivables		2,730	(7,820)
Increase/decrease in trade payables etc		2,408	(694)
		5,188	(7,920)
		2017 DKK'000	2016 DKK'000
10. Unrecognised rental and lease commitments			
Liabilities under rental or lease agreements until maturity in total		9,348	16,448
		2017 DKK'000	2016 DKK'000
11. Contingent liabilities			
Recourse and non-recourse guarantee commitments		280	3,152
Contingent liabilities in total		280	3,152
12. Assets charged and collateral			
Mortgage debt is secured by way of mortgage on properties.			

Notes to consolidated financial statements

Bank debt is secured by way of a deposited mortgage deed registered to the mortgagor on plant of DKK'000 11,500 nominal.

The carrying amount of mortgaged amounts to DKK'000 32,748.

Bank debt is secured by way of a deposited mortgage deed registered to the mortgagor on other fixtures and fittings, tools and equipment of DKK'000 2,700 nominal.

The carrying amount of other fixtures and fittings, tools and equipment amounts to DKK'000 0.

13. Transactions with related parties

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

14. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group: Kristian Svarrer Holding ApS, Esbjerg

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: Kristian Svarrer Holding ApS, Esbjerg

15. Subsidiaries

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity inte- rest %</u>
Jutlandia Terminal Ejendomme ApS	Esbjerg	ApS	100.0
Jutlandia Terminal A/S	Esbjerg	A/S	100.0
A/S J. Laurtizens Eftf.	Esbjerg	A/S	100.0
Mermaid Maritime Vietnam Jsc	Vietnam	Jsc	100.0
Lauritzen Logistica S.r.l	Italia	S.r.l	100.0
Global Offshore ApS	Esbjerg	ApS	100.0

Parent income statement for 2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Gross loss		(5)	(5)
Income from investments in group enterprises		7,011	6,473
Financial expenses from group enterprises		(104)	(157)
Other financial expenses		(1)	(5)
Profit/loss before tax		6,901	6,306
Tax on profit/loss for the year	2	24	36
Profit/loss for the year	3	6,925	6,342

Parent income statement for 2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Investments in group enterprises		34,426	31,990
Fixed asset investments	4	<u>34,426</u>	<u>31,990</u>
Fixed assets		<u>34,426</u>	<u>31,990</u>
Receivables from group enterprises		37	1
Income tax receivable		24	36
Receivables		<u>61</u>	<u>37</u>
Current assets		<u>61</u>	<u>37</u>
Assets		<u>34,487</u>	<u>32,027</u>

Parent balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Contributed capital		1,000	1,000
Reserve for net revaluation according to the equity method		6,673	4,167
Retained earnings		14,674	14,860
Proposed dividend		4,000	4,000
Equity		<u>26,347</u>	<u>24,027</u>
Bank loans		46	10
Payables to group enterprises		8,089	7,985
Other payables		5	5
Current liabilities other than provisions		<u>8,140</u>	<u>8,000</u>
Liabilities other than provisions		<u>8,140</u>	<u>8,000</u>
Equity and liabilities		<u>34,487</u>	<u>32,027</u>
Staff costs	1		
Contingent liabilities	5		
Assets charged and collateral	6		
Transactions with related parties	7		

Parent statement of changes in equity for 2017

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000
Equity beginning of year	1,000	4,167	14,860	4,000
Ordinary dividend paid	0	0	0	(4,000)
Exchange rate adjustments	0	(898)	0	0
Value adjustments	0	293	0	0
Dividends from group enterprises	0	(4,000)	4,000	0
Profit/loss for the year	0	7,111	(4,186)	4,000
Equity end of year	1,000	6,673	14,674	4,000
				Total DKK'000
Equity beginning of year				24,027
Ordinary dividend paid				(4,000)
Exchange rate adjustments				(898)
Value adjustments				293
Dividends from group enterprises				0
Profit/loss for the year				6,925
Equity end of year				26,347

Notes to parent financial statements

	<u>2017</u>	<u>2016</u>
1. Staff costs		
Average number of employees	<u>0</u>	<u>0</u>
	<u>2017</u>	<u>2016</u>
	<u>DKK'000</u>	<u>DKK'000</u>
2. Tax on profit/loss for the year		
Current tax	(24)	(36)
	<u>(24)</u>	<u>(36)</u>
	<u>2017</u>	<u>2016</u>
	<u>DKK'000</u>	<u>DKK'000</u>
3. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	4,000	4,000
Transferred to reserve for net revaluation according to the equity method	7,111	4,573
Retained earnings	(4,186)	(2,231)
	<u>6,925</u>	<u>6,342</u>
		Investments in group enterprises DKK'000
4. Fixed asset investments		
Cost beginning of year		23,823
Additions		30
Cost end of year		<u>23,853</u>
Revaluations beginning of year		8,167
Exchange rate adjustments		(898)
Adjustments on equity		293
Share of profit/loss for the year		6,921
Adjustment of intra-group profits		90
Dividend		(4,000)
Revaluations end of year		<u>10,573</u>
Carrying amount end of year		<u>34,426</u>

5. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Kristian Svarrer Holding ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for obligations, if any, relating to the withholding of tax on interest, royalties

Notes to parent financial statements

and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

6. Assets charged and collateral

Collateral securities provided for subsidiaries and group enterprises

The Entity has guaranteed the subsidiaries' bank loans.

The subsidiaries' bank loans amount to DKK'000 7,601.

7. Transactions with related parties

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

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 consolidated financial statements and parent financial statements are consistent with those applied last year.

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.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' proportionate share of profit or loss is presented as a separate item in Management's proposal for distribution of profit or loss, and their share of subsidiaries' net assets is presented as a separate item in group equity.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Accounting policies

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.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, cost of sales and external expenses.

Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

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

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and 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 internal profits or losses.

Accounting policies

Other financial income from group enterprises

Other financial income from group enterprises comprises interest income etc on receivables from group enterprises.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, net capital gains on payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Financial expenses from group enterprises

Financial expenses from group enterprises comprise interest expenses etc from payables to group enterprises.

Other financial expenses

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

Tax on profit/loss for the year

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.

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

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

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 assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

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:

Buildings	20-25 years
Other fixtures and fittings, tools and equipment	2-10 years

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 unamortised goodwill and plus or minus unrealised intra-group profits and losses.

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 5 years.

Group enterprises with negative equity are measured at DKK 0, and any receivables from these enterprises are written down by the Parent's share of such negative equity value if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

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.

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.

Other investments

Other investments comprise unlisted equity instruments are written down to any lower net realisable value.

Inventories

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

Accounting policies

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.

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

Contract work in progress

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Prepayments

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

Cash

Cash comprises cash in hand and 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.

Minority interests

Minority interests consist of non-controlling interests' share of equity in subsidiaries not 100% owned by the Parent.

Deferred tax

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

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.

Accounting policies

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

Mortgage debt

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

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.

Operating leases

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

Other financial liabilities

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

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Income tax receivable or payable

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

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Accounting policies

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash less short-term bank loans.