
Epcido A/S

Sakskøbingvej 6, DK-7400 Herning

Annual Report for 1 November 2022 - 31 October 2023

CVR No. 37 86 59 66

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 17/1 2024

Christian Møller
Chair of the general
meeting



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Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Epcido A/S for the financial year 1 November 2022 - 31 October 2023.

The Annual Report is 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 at 31 October 2023 of the Company and of the results of the Company operations and cash flows for 2022/23.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Herning, 17 January 2024

Executive Board

Flemming Noes Lorentzen
Executive Officer

Pawel Lukasz Rosiak
Executive Officer

Board of Directors

Jesper Rantala
Chair

Lars Jensen

Flemming Noes Lorentzen

Christian Møller Christensen

Pawel Lukasz Rosiak

Independent Auditor's report

To the shareholder of Epcido A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 October 2023 and of the results of the Company's operations and cash flows for the financial year 1 November 2022 - 31 October 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Epcido A/S for the financial year 1 November 2022 - 31 October 2023, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("the Financial Statements").

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 Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on 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, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

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.

Independent Auditor's report

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it 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 ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Trekantområdet, 17 January 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Lars Almskou Ohmeyer

State Authorised Public Accountant

mne24817

Heidi Bonde

State Authorised Public Accountant

mne42815

Company information

The Company	<p>Epcido A/S Sakskøbingvej 6 DK-7400 Herning</p> <p>CVR No: 37 86 59 66</p> <p>Financial period: 1 November 2022 - 31 October 2023</p> <p>Incorporated: 11 July 2016</p> <p>Municipality of reg. office: Herning</p>
Board of Directors	<p>Jesper Rantala, chair Lars Jensen Flemming Noes Lorentzen Christian Møller Christensen Pawel Lukasz Rosiak</p>
Executive Board	<p>Flemming Noes Lorentzen Pawel Lukasz Rosiak</p>
Auditors	<p>PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Herredsvej 32 DK-7100 Vejle</p>

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2022/23	2021/22	2021	2020	2019
	TDKK	TDKK	TDKK 10 months	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	71,445	59,142	55,019	36,717	37,018
Gross profit/loss	9,719	9,869	10,256	10,057	13,137
Profit/loss of ordinary primary operations	5,586	6,287	8,974	6,217	7,070
Profit/loss of financial income and expenses	1,841	1,752	-173	-49	-79
Profit/loss before tax	6,892	8,023	8,802	6,167	6,992
Tax on profit/loss for the year	-1,210	-1,390	-1,942	-1,361	-1,549
Net profit/loss	6,218	6,648	6,860	4,086	5,443
Balance sheet					
Balance sheet total	26,772	23,339	18,631	10,630	9,917
Investment in property, plant and equipment	90	163	1,137	873	538
Equity	18,406	18,224	10,230	7,270	6,064
Cash flows					
Cash flows from:					
- operating activities	5,026	6,999	3,494	6,495	2,883
- investing activities	-405	-1,263	-1,137	-873	-481
- financing activities	-3,461	-806	-2,136	-3,605	-3,319
Change in cash and cash equivalents for the year	1,160	4,930	221	2,017	-917
Number of employees	5	5	2	2	20
Ratios					
Gross margin	13.6%	16.7%	18.6%	27.4%	35.5%
Profit margin	7.8%	10.6%	16.3%	16.9%	19.1%
Return on assets	20.9%	26.9%	48.2%	58.5%	71.3%
Solvency ratio	68.8%	78.1%	54.9%	68.4%	61.1%
Return on equity	34.0%	46.7%	78.4%	61.3%	179.5%

In connection with changes to accounting policies, the comparative figures for 2019, 2020 and 2021 have not been restated. See the description under accounting policies.

Management's review

Key activities

Epcido are specialists in assembly, installation, service and modernization of E-commerce centres, logistics, productions, and commercial buildings.

Epcido is a leader in electrical, mechanical installations as well as service and maintenance on a global level.

Development in the year

The income statement for Epcido A/S for 2022/23 shows a turnover of DKK 71,444,652 and a result before financial items of DKK 5,586,377.

The past year and follow-up on development expectations from last year

In the financial year, Epcido has continued to focus on, among other things, developing the business, delivering, and servicing, installing advanced production facilities, products, processes and digitization to the company's customers.

The result for the year is better than expected and is due to the fact that the organization has really delivered throughout the year.

The group's management systems are being strengthened and adapted and have continued to be anchored in the IT management platform in 2022/23, which has thoroughly digitized the company. The goal is to strengthen the performance culture throughout the company with a view to creating the greatest possible value for customers in the future.

As part of the strategy, investments were made in the past year in the creation of our own training and education centre in Gdansk. Which means that the Epcido group can go into the new year strengthened and deliver even more service to our customers' value chain.

Also, as part of the strategy, Epcido has been established with a subsidiary in Germany during 2022/23, in order to thereby strengthen the position in one of Europe's largest markets.

In Poland, expansion of capacity and organization is also underway as planned, and commissioning of our new facilities is expected in early 2024.

As a result of logistics and product bottlenecks, there have been extraordinary challenges in the past year in the ability to deliver on time. The focus on the supply chain is therefore very high on the agenda for our customers, and with the many initiatives during the year, delivery capacity, raw material prices and product flow are once again stabilizing, and Epcido is also well positioned for the coming year.

General risks

The company's activities include project planning, material delivery of larger and complex solutions for industry, which entails both technical and contractual risks.

However, it is the management's assessment that the company currently has internal systems and procedures that ensure that the year's activities can be carried out without significant technical and contractual risks.

Foreign exchange risks

All revenue is in DKK, EUR, and USD. As a result, the company runs a low risk of fluctuations in exchange rates. Attempts are made to hedge the uncertainties in currencies by reducing net positions.

Credit risks

The company's customer portfolio consists primarily of international systems integrators, as well as larger reputable companies which are considered to have a good credit rating. As part of the tender process, customers are subject to regular credit assessments. Credit risks are sought minimized through payment terms and LoC that reduce exposure.

Management's review

Targets and expectations for the year ahead

Epcido Group faces a challenging business environment characterized by a slowdown in the global e-commerce trades and logistics market. High inflation and interest rates have resulted in reduced investments and projects in the mechanical and electrical installation sector for system integration. Our major customers in EMEA and North America have experienced declines in their business activities, leading to a decrease in large tender requests. Despite these challenges, Epcido Group is committed to navigating this changing landscape strategically.

Even with these challenges, we are optimistic when it comes to next year, and our expectations for 2023/24 are revenue growth of 0% to 20% and earnings before tax (EBT) of 10% to 20%. Based on the current order situation and pipeline at the beginning of the financial year and throughout the year, we have reason to expect this.

The management is convinced that the focus on the green transition will be favourable for the company's customers and the vast majority of customers worldwide have already accelerated or will accelerate investments towards the green transition.

External environment

The company is aware of its responsibility in relation to both the external and internal environment and takes the necessary considerations into account when carrying out the individual work tasks, as well as environmental conditions in the company's services and deliveries to customers.

The company is ISO 9001, ISO 14001, and ISO 45001. The UN's SDG goals are thus the basis for the strategic direction for the company, with the clear goal being to contribute technological solutions that reduce the environmental impact.

Intellectual capital resources

The company is a knowledge-based company, where the company's most important resources are the skills and knowledge possessed by the employees. Competence development and knowledge sharing are keywords and initiatives to attract and retain employees have a high priority. Our cooperation with the educational institutions ensures us a fixed pipeline of qualified resources.

Meanwhile, Epcido in Gdansk PL has set up their own academy for upskilling current employees, as well as training new employees to take social responsibility to ensure qualified labor for the future. Which has already resulted in solutions and subsequent employment.

Income statement 1 November 2022 - 31 October 2023

	Note	2022/23 DKK	2021/22 DKK
Revenue		71,444,652	59,141,858
Other operating income		239,161	0
Expenses for raw materials and consumables		-56,295,308	-45,636,895
Other external expenses		-5,669,575	-3,636,315
Gross profit		9,718,930	9,868,648
Staff expenses	1	-3,414,872	-3,063,558
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		-717,681	-518,589
Profit/loss before financial income and expenses		5,586,377	6,286,501
Income from investments in subsidiaries		1,932,707	1,680,694
Financial income	2	114,971	198,352
Financial expenses		-206,515	-127,047
Profit/loss before tax		7,427,540	8,038,500
Tax on profit/loss for the year	3	-1,209,879	-1,390,136
Net profit/loss for the year		6,217,661	6,648,364

Distribution of profit

	2022/23 DKK	2021/22 DKK
Proposed distribution of profit		
Proposed dividend for the year	9,000,000	6,000,000
Reserve for net revaluation under the equity method	1,932,707	1,665,419
Retained earnings	-4,715,046	-1,017,055
	6,217,661	6,648,364

Balance sheet 31 October 2023

Assets

	Note	2022/23 DKK	2021/22 DKK
Acquired licenses		2,026,250	1,900,000
Intangible assets	4	2,026,250	1,900,000
Other fixtures and fittings, tools and equipment		254,558	640,103
Property, plant and equipment	5	254,558	640,103
Investments in subsidiaries	6	5,109,269	3,025,835
Fixed asset investments		5,109,269	3,025,835
Fixed assets		7,390,077	5,565,938
Finished goods and goods for resale		0	378,922
Inventories		0	378,922
Trade receivables		6,976,086	6,284,613
Contract work in progress	7	298,707	141,259
Receivables from group enterprises		1,258,064	1,415,474
Other receivables		49,032	0
Corporation tax		0	129,012
Corporation tax receivable from group enterprises		206,055	0
Prepayments		36,872	26,255
Receivables		8,824,816	7,996,613
Cash at bank and in hand		10,557,074	9,397,255
Current assets		19,381,890	17,772,790
Assets		26,771,967	23,338,728

Balance sheet 31 October 2023

Liabilities and equity

	Note	2022/23	2021/22
		DKK	DKK
Share capital		500,000	500,000
Reserve for net revaluation under the equity method		4,923,327	3,010,553
Retained earnings		3,982,855	8,713,176
Proposed dividend for the year		9,000,000	6,000,000
Equity		18,406,182	18,223,729
Provision for deferred tax		386,429	354,254
Provisions		386,429	354,254
Trade payables		3,919,325	1,121,669
Payables to group enterprises		2,495,284	113,774
Corporation tax		602,739	0
Payables to group enterprises relating to corporation tax		0	1,075,668
Other payables		863,344	2,204,732
Deferred income		98,664	244,902
Short-term debt		7,979,356	4,760,745
Debt		7,979,356	4,760,745
Liabilities and equity		26,771,967	23,338,728

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Statement of changes in equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 November	500,000	0	8,697,901	6,000,000	15,197,901
Net effect from change of accounting policy	0	3,025,826	0	0	3,025,826
Adjusted equity at 1 November	500,000	3,025,826	8,697,901	6,000,000	18,223,727
Ordinary dividend paid	0	0	0	-6,000,000	-6,000,000
Exchange adjustments relating to foreign entities	0	-35,206	0	0	-35,206
Net profit/loss for the year	0	1,932,707	-4,715,046	9,000,000	6,217,661
Equity at 31 October	500,000	4,923,327	3,982,855	9,000,000	18,406,182

Cash flow statement 1 November 2022 - 31 October 2023

	Note	2022/23 DKK	2021/22 DKK
Result of the year		6,217,661	6,648,364
Adjustments	8	-152,764	156,726
Change in working capital	9	780,382	2,149,890
Cash flow from operations before financial items		6,845,279	8,954,980
Financial income		114,971	198,353
Financial expenses		-206,515	-127,048
Cash flows from ordinary activities		6,753,735	9,026,285
Corporation tax paid		-1,727,678	-2,027,214
Cash flows from operating activities		5,026,057	6,999,071
Purchase of intangible assets		-450,000	-1,100,000
Purchase of property, plant and equipment		-90,000	-162,500
Fixed asset investments made etc		-185,933	0
Sale of property, plant and equipment		320,775	0
Cash flows from investing activities		-405,158	-1,262,500
Repayment of loans from credit institutions		0	-62,448
Repayment of payables to group enterprises		2,538,920	-744,024
Dividend paid		-6,000,000	0
Cash flows from financing activities		-3,461,080	-806,472
Change in cash and cash equivalents		1,159,819	4,930,099
Cash and cash equivalents at 1 November		9,397,255	4,467,156
Cash and cash equivalents at 31 October		10,557,074	9,397,255
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		10,557,074	9,397,255
Cash and cash equivalents at 31 October		10,557,074	9,397,255

Notes to the Financial Statements

	2022/23 DKK	2021/22 DKK
1. Staff Expenses		
Wages and salaries	2,999,174	2,749,724
Pensions	371,809	277,292
Other social security expenses	43,889	36,542
	3,414,872	3,063,558
 Average number of employees	 5	 5

	2022/23 DKK	2021/22 DKK
2. Financial income		
Interest received from group enterprises	20,924	0
Other financial income	25,596	282
Exchange adjustments	68,451	198,070
	114,971	198,352

	2022/23 DKK	2021/22 DKK
3. Income tax expense		
Current tax for the year	1,177,704	1,075,668
Deferred tax for the year	32,175	318,254
Adjustment of tax concerning previous years	0	-3,786
	1,209,879	1,390,136

Notes to the Financial Statements

4. Intangible fixed assets

	Acquired licenses
	DKK
Cost at 1 November	2,053,420
Additions for the year	450,000
Cost at 31 October	2,503,420
Impairment losses and amortisation at 1 November	145,879
Amortisation for the year	331,291
Impairment losses and amortisation at 31 October	477,170
Carrying amount at 31 October	2,026,250

5. Property, plant and equipment

	Other fixtures and fittings, tools and equipment
	DKK
Cost at 1 November	2,184,740
Additions for the year	90,000
Disposals for the year	-986,994
Cost at 31 October	1,287,746
Impairment losses and depreciation at 1 November	1,552,178
Depreciation for the year	386,390
Reversal of impairment and depreciation of sold assets	-905,380
Impairment losses and depreciation at 31 October	1,033,188
Carrying amount at 31 October	254,558

Notes to the Financial Statements

	2022/23 DKK	2021/22 DKK
6. Investments in subsidiaries		
Cost at 1 November	9	9
Additions for the year	185,933	0
Cost at 31 October	185,942	9
Value adjustments at 1 November	3,025,826	1,392,685
Exchange adjustment	-35,206	-47,553
Net profit/loss for the year	1,932,707	1,680,694
Value adjustments at 31 October	4,923,327	3,025,826
Carrying amount at 31 October	5,109,269	3,025,835

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Ownership
Epcido Ltd.	London, UK	100%
Epcido GmbH	Harrislee, Germany	100%

	2022/23 DKK	2021/22 DKK
7. Contract work in progress		
Selling price of work in progress	6,284,135	1,249,424
Payments received on account	-5,985,428	-1,108,165
	298,707	141,259
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	298,707	141,259
	298,707	141,259

Notes to the Financial Statements

	2022/23	2021/22
	DKK	DKK
8. Cash flow statement - Adjustments		
Financial income	-114,971	-198,352
Financial expenses	206,515	127,047
Depreciation, amortisation and impairment losses, including losses and gains on sales	478,520	518,589
Income from investments in subsidiaries	-1,932,707	-1,680,694
Tax on profit/loss for the year	1,209,879	1,390,136
	<u>-152,764</u>	<u>156,726</u>

	2022/23	2021/22
	DKK	DKK
9. Cash flow statement - Change in working capital		
Change in inventories	378,922	-378,922
Change in receivables	-908,570	5,358,053
Change in trade payables, etc	1,310,030	-2,829,241
	<u>780,382</u>	<u>2,149,890</u>

	2022/23	2021/22
	DKK	DKK
10. Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	428,558	148,668
Between 1 and 5 years	674,550	20,673
	<u>1,103,108</u>	<u>169,341</u>

Obligation to designate buyer, operating leases. Expected residual value on expiry agreement	442,075	223,200
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The company has an annual rent obligation of TDKK 240, which has a non-cancellable term of 9 months, which can be terminated at the earliest per 1 November 2024.

Notes to the Financial Statements

Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Eltronic Group A/S, which is the management company of the joint taxation purposes. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

11. Related parties and disclosure of consolidated financial statements

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company:

Name	Place of registered office
Epcido Holding A/S	Herning, Danmark

The Company is also included in the Group Annual Report of the Parent Company of the largest group: Eltronic Group A/S, Hedensted, Denmark.

Notes to the Financial Statements

12. Accounting policies

The Annual Report of Epcido A/S for 2022/23 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The Financial Statements for 2022/23 are presented in DKK.

Changes in accounting policies

The Company has changed its accounting policy for the measurement of equity investments from cost to the equity method. Management believes that this practice gives a fairer picture. It affected profit for the year positively by DKK 1,932,707. The previous year's profit and equity are impacted positively by DKK 3,025,826. The Company's cashflows are not affected by the change.

Comparative figures have been restated.

Consolidated financial statements

With reference to section 110 of the Danish Financial Statements Act, no consolidated financial statements are prepared.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Leases

All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Notes to the Financial Statements

Income statement

Net sales

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise costs incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Notes to the Financial Statements

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with Danish group companies. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance sheet

Intangible fixed assets

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 3-6 year.

Property, plant and equipment

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

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	2-5 years
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The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment and investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Inventories

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

Notes to the Financial Statements

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments

Prepayments comprise prepaid expenses concerning incurred costs concerning the following financial year.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate Dividend item.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Notes to the Financial Statements

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Cash Flow Statement

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

Notes to the Financial Statements

Financial Highlights

Explanation of financial ratios

Gross margin	$\text{Gross profit} \times 100 / \text{Revenue}$
Profit margin	$\text{Profit/loss of ordinary primary operations} \times 100 / \text{Revenue}$
Return on assets	$\text{Profit/loss of ordinary primary operations} \times 100 / \text{Total assets at year end}$
Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$