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Fælledvej 1
DK-5000 Odense C
CVR no. 20 22 26 70

STIESDAL OFFSHORE A/S

VEJLEVEJ 270, 7323 GIVE

ANNUAL REPORT

1 JANUARY - 31 DECEMBER 2022

The Annual Report has been presented and adopted at the Company's Annual General Meeting on 28 April 2023

Mette Godsk Trandbohus

CVR NO. 38 58 51 18

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COMPANY DETAILS

Company	Stiesdal Offshore A/S Vejlevej 270 7323 Give	
	CVR No.:	38 58 51 18
	Established:	19 April 2017
	Municipality:	Vejle
	Financial Year:	1 January - 31 December
Board of Directors	Kim Schønnemann Bøttkjær, chairman Peder Riis Nickelsen Niels Olaf Ahrengot Henrik Stiesdal Carsten Risvig Pedersen Tove Feld Heidi Hjelm Kamstrup	
Executive Board	Peder Riis Nickelsen	
Auditor	BDO Statsautoriseret revisionsaktieselskab Fælledvej 1 5000 Odense C	
Bank	Nordea Bank Danmark A/S Vestre Stationsvej 7 5000 Odense C	

MANAGEMENT'S STATEMENT

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of Stiesdal Offshore A/S for the financial year 1 January - 31 December 2022.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022.

The Management Commentary includes in our opinion a fair presentation of the matters dealt with in the Commentary.

We recommend the Annual Report be approved at the Annual General Meeting.

Give, 28 April 2023

Executive Board

Peder Riis Nickelsen

Board of Directors

Kim Schønnemann Bøttkjær Chairman	Peder Riis Nickelsen	Niels Olaf Ahrengot
Henrik Stiesdal	Carsten Risvig Pedersen	Tove Feld
Heidi Hjelm Kamstrup		

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Stiesdal Offshore A/S

Opinion
We have audited the Financial Statements of Stiesdal Offshore A/S for the financial year 1 January - 31 December 2022, which comprise income statement, Balance Sheet, statement of changes in equity, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 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 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 (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance 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 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.

INDEPENDENT AUDITOR'S REPORT

- 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.

Statement on Management Commentary
Management is responsible for Management Commentary.

Our opinion on the Financial Statements does not cover Management Commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management Commentary and, in doing so, consider whether Management Commentary 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 Commentary provides the information required under the Danish Financial Statements Act.

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

Odense, 28 April 2023

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Jesper Bechsgaard Jørgensen
State Authorised Public Accountant
MNE no. mne31412

MANAGEMENT COMMENTARY

Principal activities
The principal activities of the company comprise of development, utilization and sale of offshore technology and other related activities which, according to the Board's discretion, are deemed relevant for the purpose.

Unusual matters

Change resulting from material misstatement
There was a significant error in the annual report for 2021. The development project was classified as "Development projects completed" instead of "Development projects in progress and prepayments" and therefore amortization had begun prematurely.

A reference has also been made to the description under accounting policies, including a description of the impact on the annual report of the correction of material errors.

Recognition and measurement uncertainty
In these present Financial Statements, a tax asset of DKK 11.5 m is recognized. The value of this depends on the future earnings capacity. Based on the Group's expectations for the future earnings, the Group's expectations for the future growth in the market for carbon free energy and continued investment in development assets, it is Management's opinion that the tax loss will be used in full in the Group in 4-7 years.

Development in activities and financial and economic position
The Company had development costs of DKK 34 m in the financial year. An additional amount which is expected to be no more than in 2022 is needed in order to complete the Tetra commercial floating foundation concept for wind turbines. Future development activities are funded by prepaid license revenues from a significant customer.

In 2021 Stiesdal Offshore A/S in partnership with Shell, RWE and TEPCO deployed the TetraSpar Demonstrator, a full-scale demonstration project. The project has been successfully operating throughout 2022.

October 2022 it was announced that the Stiesdal TetraSub foundation had been selected for the Pentland Demonstrator project which is currently under development and expected to be installed in 2025.

The Tetra foundation concept offers industrialized floating foundation designs to the exponentially growing offshore wind market, benefiting from the development and test results achieved by the TetraSpar Demonstrator.

Management expects profitable operations in 2025, which is supported by budgets, market surveys and the overall high potential of the floating foundation technology.

The Management considers the result of the year to be satisfactory.

MANAGEMENT COMMENTARY

Comment on the assumptions for going concern
In the financial year 2022 a loss of DKK 24 m is realized which together with development costs of DKK 34 m means that the Company's cash resources are reduced materially.

In relation to securing the necessary liquidity for the financial year 2023 the Company has an agreed prepaid license revenue from a significant customer in addition to revenue from customer-based activities.

Management has prepared budget for the financial year 2023, which support that the Company has the liquidity necessary to service their liabilities concurrently with their due date in the financial year 2023.

Based on the agreed prepaid license revenue and extension of the existing debt with the parent company, Stiesdal A/S, it is Management's opinion that the Company's assumptions for going concern are ensured..

Significant events after the end of the financial year
No events have occurred after the end of the financial year of material importance for the Company's financial position.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2022 DKK	2021 DKK '000
GROSS PROFIT		**56,403**	**535**
Staff costs	1	-26,838,324	-15,704
Depreciation, amortisation and impairment		-11,159	0
OPERATING LOSS		**-26,793,080**	**-15,169**
Other financial income		17,192	0
Other financial expenses	2	-7,396,738	-3,875
LOSS BEFORE TAX		**-34,172,626**	**-19,044**
Tax on profit/loss for the year	3	9,764,238	7,084
LOSS FOR THE YEAR		**-24,408,388**	**-11,960**

PROPOSED DISTRIBUTION OF PROFIT

Retained earnings		-24,408,388	-11,960
TOTAL		**-24,408,388**	**-11,960**

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BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2022 DKK	2021 DKK '000
Development projects completed		0	0
Development projects in progress and prepayments		171,019,732	136,902
Intangible assets	4	**171,019,732**	**136,902**
Other plant, machinery, tools and equipment		46,026	0
Property, plant and equipment	5	**46,026**	**0**
Equity investments in associated enterprises		1,933,664	1,934
Rent deposit and other receivables		372,659	345
Financial non-current assets	6	**2,306,323**	**2,279**
NON-CURRENT ASSETS		**173,372,081**	**139,181**
Trade receivables		288,807	9,164
Contract work in progress	7	9,639,487	0
Receivables from associated enterprises		0	249
Receivables from owners and management	8	1,742,310	1,742
Deferred tax assets		11,459,548	4,011
Other receivables		6,092,604	8,591
Corporation tax receivable		2,315,672	3,064
Prepayments and accrued income		253,170	0
Receivables	9	**31,791,598**	**26,821**
Cash and cash equivalents		**9,469,523**	**19,801**
CURRENT ASSETS		**41,261,121**	**46,622**
ASSETS		**214,633,202**	**185,803**

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2022 DKK	2021 DKK '000
Share capital		3,152,807	3,153
Reserve for development costs		146,824,861	109,807
Retained profit		-105,787,777	-44,361
EQUITY		**44,189,891**	**68,599**
Lease liabilities		17,659,529	15,356
Non-current liabilities	10	**17,659,529**	**15,356**
Contract work in progress	7	842,098	5,523
Trade payables		4,360,960	7,596
Payables to group enterprises		146,503,860	86,997
Other liabilities		1,033,042	1,732
Accruals and deferred income		43,822	0
Current liabilities		**152,783,782**	**101,848**
LIABILITIES		**170,443,311**	**117,204**
EQUITY AND LIABILITIES		**214,633,202**	**185,803**

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EQUITY

	Share capital	Reserve for development costs	Retained profit	Total
Equity at 1 January 2022	3,152,807	109,805,884	-52,060,126	60,898,565
Change of equity due to correction of errors		7,699,714		7,699,714
Adjusted equity at 1 January 2022	**3,152,807**	**117,505,598**	**-52,060,126**	**68,598,279**
Proposed profit allocation			-24,408,388	-24,408,388
Other legal bindings				
Capitalized development costs		34,118,025	-34,118,025	0
Tax on changes in equity		**-4,798,762**	**4,798,762**	**0**
Equity at 31 December 2022	**3,152,807**	**146,824,861**	**-105,787,777**	**44,189,891**

NOTES

	2022 DKK	2021 DKK '000	Note
Staff costs			1
Average number of employees	35	23	
Wages and salaries	22,256,482	13,323	
Pensions	3,346,546	2,012	
Social security costs	340,266	132	
Other staff costs	895,030	237	
	26,838,324	**15,704**	
Other financial expenses			2
Group enterprises	4,842,869	1,638	
Other interest expenses	2,553,869	2,237	
	7,396,738	**3,875**	
Tax on profit/loss for the year			3
Calculated tax on taxable income of the year	-2,315,672	-3,064	
Adjustment of deferred tax	-7,448,566	-4,020	
	-9,764,238	**-7,084**	

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Intangible assets 4

	Development projects completed	Development projects in progress and prepayments
Cost at 1 January 2022	136,901,707	0
Change of classification due to correction of errors	-136,901,707	136,901,707
Additions	0	34,118,025
Cost at 31 December 2022	**0**	**171,019,732**
Amortisation at 1 January 2022	9,871,428	0
Change of amortisation due to correction of errors	-9,871,428	0
Amortisation at 31 December 2022	**0**	**0**
Carrying amount at 31 December 2022	**0**	**171,019,732**
Value of leased assets recognised as intangible fixed assets	0	9,764,851

The development costs in the year have been used for development of floating foundations for offshore wind turbines. Management has significant expectations for the development project, which is supported by budgets, market surveys and the general demand in the world market for green technologies.

An additional amount which is expected to be no more than in 2022 is needed in order to complete the development project for commercial floating wind turbine foundations.

The financing hereof is funded by prepaid license revenues from a significant customer, and longer term in the form of licenses from Offshore customers in addition to revenue from customer-based activities.

In support of operations, the Company’s parent company has issued a loan guarantee for the financial year 2023.

Based on the expectations for the future earnings, it is Management’s assessment that the development costs meet the requirements for recognition and measurement in the Financial Statements, and that the valuation of the development costs is proper.

Property, plant and equipment 5

	Other plant, machinery, tools and equipment
Additions	57,185
Cost at 31 December 2022	**57,185**
Depreciation for the year	11,159
Depreciation and impairment losses at 31 December 2022	**11,159**
Carrying amount at 31 December 2022	**46,026**

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Financial non-current assets 6

	Equity investments in associated enterprises	Rent deposit and other receivables
Cost at 1 January 2022	1,933,664	345,055
Additions	0	27,604
Cost at 31 December 2022	**1,933,664**	**372,659**
Carrying amount at 31 December 2022	**1,933,664**	**372,659**

Equity investments in associated enterprises comprise of 0.70 % ownership of TetraSpar Demonstrator Aps with 28.35 % voting share.

	2022 DKK	**2021** DKK '000	
Contract work in progress			7
Sales value of completed work	49,734,252	16,975	
Progress invoicing/advances received	-40,936,863	-22,498	
Contract work in progress, net	**8,797,389**	**-5,523**	
Recognized as follows:			
Contract work in progress (asset)	9,639,487	0	
Contract work in progress (liability)	-842,098	-5,523	
	8,797,389	**-5,523**	

Receivables from owners and management 8

Receivables from owners and management comprise of joint taxation contribution from previous management company.

NOTES

	2022 DKK	2021 DKK '000	Note
Receivables falling due after more than one year			9
Deferred tax assets	11,459,548	4,011	
	11,459,548	**4,011**	

Long-term liabilities 10

	31/12 2022 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2021 total liabilities
Lease liabilities	17,659,529	0	0	15,356,112
	17,659,529	**0**	**0**	**15,356,112**

Contingencies etc. 11

Contingent liabilities
The Company rents office facilities with a termination date no earlier than 1 September 2024. The contingent liability at 31 December 2022 amounts to DKK 1,208k.

Joint liabilities
The Company is jointly and severally liable together with the parent company and the other group companies in the joint taxable group for tax on the group's joint taxable income and for certain possible withholding taxes, such as dividend tax, etc.

Tax payable on the Group's joint taxable income is stated in the annual report of Stiesdal A/S, which serves as management company for the joint taxation.

Charges and securities 12
The Company has no charges and securities as of 31 December 2022.

Comment on the assumptions for going concern 13
In the financial year 2022 a loss of DKK 24 m is realized which together with development costs of DKK 34 m means that the Company's cash resources are reduced materially.

In relation to securing the necessary liquidity for the financial year 2023 the Company has an agreed prepaid license revenue from a significant customer in addition to revenue from customer-based activities.

Management has prepared budget for the financial year 2023, which support that the Company has the liquidity necessary to service their liabilities concurrently with their due date in the financial year 2023.

Based on the agreed prepaid license revenue and extension of the existing debt with the parent company, Stiesdal A/S, it is Management's opinion that the Company's assumptions for going concern are ensured.

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Information on uncertainty with respect to recognition and measurement 14

In these present Financial Statements, a tax asset of DKK 11.5 m is recognized. The value of this depends on the future earnings capacity. Based on the Group’s expectations for the future earnings, the Group’s expectations for the future growth in the market for carbon free energy and continued investment in development assets, it is Management's opinion that the tax loss will be used in full in the Group in 4-7 years.

ACCOUNTING POLICIES

The Annual Report of Stiesdal Offshore A/S for 2022 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class B and certain provisions applying to reporting class C.

The Annual Report is prepared consistently with the accounting principles applied last year.

Change as a result of changed presentation
In the 2021 annual report, the capitalization of staff costs related to capitalized development projects was offset against staff costs, which was not in accordance with the gross principle in the Danish Financial Statements Act. Capitalization of staff costs should be included in the accounting item "Own work, recognized under assets".

The changed presentation has been incorporated into the comparative figures in the 2022 annual report, resulting in an increase of DKK 8,981k in the accounting item "Own work, recognized under assets" and "Gross profit" in the income statement, and an increase of DKK 8,981k in the accounting item "Staff costs". The changed presentation has no impact on the results for 2021. The equity and total assets for 2021 are not affected.

Change resulting from material misstatement
There was a significant error in the annual report for 2021. The development project was classified as "Development projects completed" instead of "Development projects in progress and prepayments" and therefore amortization had begun prematurely.

The company only completed a prototype in 2021, which is not ready for commercialization, but only a step on the way to complete the development of the company's technology. The matter has been corrected since the company's applied accounting practices, measures "development projects in progress and prepayments" at cost price only starting amortization when the project has been finished, meaning that the result and equity were significantly incorrect in 2021 because amortization was begun prematurely.

The error has been corrected and incorporated into the annual report with the retroactive effect causing adjustment to comparison figures.

The correction entails the accounting item "Depreciation, amortization and impairment" in the income statement to decrease by DKK 9,871,428 and the accounting item "Tax on profit/loss for the year" to increase by DKK 2,171,714 and thus the profit/loss for the year in 2021 is improved by DKK 7,699,714. Equity at the beginning of 2022 is improved by DKK 7,699,714. The error also causes, the accounting item "Development projects in progress and prepayments" under intangible assets for 2021 to increase by DKK 9,871,428 and the accounting item "Deferred tax assets" under receivables for 2021 to decrease by DKK 2,171,714. The total balance sheet is increased by DKK 7,699,714.

The impact of the significant error is recognized directly on the equity in the line "Correction of errors", where DKK 7,699,714 is reduced on the "Reserve for development costs" and comparative figures are adjusted.

INCOME STATEMENT

Net revenue
Where services with a high degree of individual adjustments are delivered, recognition in net revenue is made as and when the service progresses, the net revenue being equal to the sales value of the work performed for the year (the production method). This method is applied when the total costs and expenses regarding the contract and the degree of completion at the balance sheet date can be reliably assessed, and it is likely that the financial benefits will flow to the Company.

When the result of contract work cannot be assessed reliably, revenue is only recognised corresponding to related costs to the extent that it is likely that they will be recovered.

ACCOUNTING POLICIES

Net revenue is recognised exclusive of VAT and less duties and discounts related to the sale.

Own work, recognised under assets
Own work, recognised under assets comprise staff costs incurred in the financial year and is included in the cost price for self-developed intangibles fixed assets.

Other operating income
Other operating income includes items of a secondary nature in relation to the Group's and the Company's activities, including profit from sale of intangible and tangible fixed assets. In addition, profit from sale of intangible and tangible fixed assets as well as business interruption and conflict compensations are included. Compensations are recognised when the income is deemed to be realisable.

Cost of sales
Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables and development cost.

Other external expenses
Other external expenses include cost of sales, advertising, administration, buildings, bad debts, operational lease expenses, etc.

Payments related to operating lease expenses and other lease agreements are recognised in the Income Statement during the continuance of the contract. The Company's total liability concerning operating and other lease agreements are stated under contingencies, etc.

Staff costs
Staff costs comprise wages and salaries, including holiday pay and pensions, and other costs of social security etc., for the Company's employees.

Income from investments in associates
Dividend from associates is recognised in the financial year in which the dividend is declared. In connection with transfers, potential profits are recognised when the economic rights related to the sold equity interests are transferred, however, at the earliest when the profit has been realised or is regarded as realisable. Moreover, realised losses other than impairments are included where identified.

Financial income and expenses
Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

Tax
The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

BALANCE SHEET

Intangible fixed assets
Development projects in progress and prepayments comprise costs, including wages and salaries, and amortisation, which directly or indirectly can be related to the company's development activities and which fulfil the criteria for recognition.

Intangible fixed assets are generally written down to the lower of recoverable value and carrying amount.

ACCOUNTING POLICIES

Profit or loss from sale of intangible fixed assets is calculated at the difference between the sales price and the carrying amount at the time of the sale. Profit and loss are recognised in the Income Statement under other operating income or other operating expenses.

Tangible fixed assets
Other plants, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used. As regards self-manufactured assets, the cost price includes cost of materials, components, subcontractors, direct payroll and indirect production costs.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Other plant, fixtures and equipment...	3-5 years	0-25 %

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Lease contracts
Lease contracts relating to tangible fixed assets for which the Company bears all material risks and benefits attached to the ownership (finance lease, see IAS 17) are recognised as assets in the Balance Sheet. The assets are at the initial recognition measured at the lower of cost stated at fair value and the present value of the future lease payments. The internal interest rate of the lease contract, or alternatively the Company's loan interest, is used as discounting factor when calculating the present value. Finance lease assets are hereafter treated as the Company's other similar fixed assets.

for which the Company bears all material risks and benefits attached to the ownership (finance lease, see IAS 17) are recognised as assets in the Balance Sheet. The assets are at the initial recognition measured at the lower of cost stated at fair value and the and present value of the future lease payments. The internal interest rate of the lease contract, or alternatively the Company's loan interest, is used as discounting factor when calculating the present value. Finance lease assets are hereafter treated as the Group's and the Company's other similar tangible fixed assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability and the interest portion of the lease payment is recognised in the income statement over the term of the contract.

All other lease contracts are considered to be operating leases. Payments related to operating leases and other rental agreements are recognised in the income statement over the term of the contract. The company's total liability relating to operating leases and rental agreements is disclosed as contingencies etc.

Financial non-current assets
Investments in associates are measured at cost. If the cost exceeds the net realisable value, this is written down to the lower value.

The combination method is applied when acquiring enterprises within the Group, where the combination is regarded as completed at the date of acquisition, and by using the carrying amounts of the assets and liabilities acquired.

Deposits include rental deposits which are recognised and measured at cost. Deposits are not depreciated.

Impairment of fixed assets

The carrying amount of intangible fixed and tangible assets together with fixed assets, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the net realisable value is lower than the carrying amount, the assets are written down to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is reduced by impairment losses to meet expected losses.

Contract work in progress

Work in progress on contract is measured at the sales value of the work performed. The sales value is measured on the basis of the degree of completion on the balance sheet date and the total anticipated revenue related to the specific piece of work in progress.

The specific piece of work in progress is recognised in the Balance Sheet as receivables or payables, depending on the net value of the selling price less progress invoicing and progress payments.

Costs relating to sales work and obtaining of contracts are recognised in the Income Statement as and when they are incurred.

Accruals, assets

Accruals recognised as assets include costs incurred relating to the subsequent financial year.

Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

The Company is subject to joint taxation with Danish group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the on account tax scheme. Joint taxation contributions receivable and payable are recognised in the Balance Sheet under current assets and liabilities, respectively.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against 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 under the legislation in force on the balance sheet date would be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

ACCOUNTING POLICIES

Liabilities
Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the income statement over the term of loan.

Amortised cost of current liabilities usually corresponds to nominal value.

The capitalised residual lease liability on finance lease contracts is also recognised as financial liabilities.

Accruals, liabilities
Accruals recognised as liabilities include payments received regarding income in subsequent years.