

Silhorko-Eurowater A/S

Aarhusvej 79, Stilling, 8660 Skanderborg

CVR no. 39 17 65 13



Annual report 2015/16

Approved at the Company's annual general meeting on 25 January 2017

Chairman:



Harry Viiala

EY

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Silhorko-Eurowater A/S for the financial year 1 November 2015 - 31 October 2016.

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

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 31 October 2016 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 November 2015 - 31 October 2016.

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

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

Stilling, 25 January 2017
Executive Board:



Torben Buhl



Kurt Hufnagl

Board of Directors:



Harry Viiala
Chairman



Kurt Hufnagl

Steen Buhl Larsen

Independent auditors' report

To the shareholders of Silhorko-Eurowater A/S

Independent auditors' report on the consolidated financial statements and the parent company financial statements

We have audited the consolidated financial statements and the parent company financial statements of Silhorko-Eurowater A/S for the financial year 1 November 2015 – 31 October 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the parent company and consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of consolidated financial statements and parent company financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion


In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 October 2016 and of the results of the Group's and the parent company's operations and consolidated cash flows for the financial year 1 November 2015 – 31 October 2016 in accordance with the Danish Financial Statements Act.

Independent auditors' report


Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Aarhus, 25 January 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Jakob Nyborg
State Authorised Public Accountant



Henrik Andersen
State Authorised Public Accountant



Management's review

Company details

Name	Silhorko-Eurowater A/S
Address, zip code, city	Aarhusvej 79 Stilling DK-8660 Skanderborg
CVR no.	39 17 65 13
Established	9 January 1937
Registered office	Skanderborg
Financial year	1 November – 31 October
Website	www.silhorko.dk
E-mail	info@silhorko.dk
Telephone	+45 87 93 83 00
Board of Directors	Harry Viiala (Chairman) Kurt Hufnagl Steen Buhl Larsen
Executive Board	Torben Buhl Kurt Hufnagl
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25 DK-8000 Aarhus C
Subsidiaries	Armacoat A/S, Denmark Eurotronic ApS, Denmark Eurotank A/S, Harlev, Denmark Eurowater AB, Sweden Eurowater AS, Norway Eurowater B.V., the Netherlands Eurowater Kft., Hungary Eurowater Ltd., Ukraine Eurowater N.V., Belgium Eurowater S.r.o., Slovakia Eurowater S.r.o., the Czech Republic Eurowater Sarl., France Eurowater Sp. z o.o., Poland Eurowater Wasseraufbereitung AG, Switzerland Eurowater Wasseraufbereitung Ges.mbH, Austria Eurowater Wasseraufbereitung GmbH, Germany Unitex Sp. z o.o., Poland

Management's review

Financial highlights for the Group

DKK'000	2015/16	2014/15	2013/14	2012/13	2011/12
Key figures					
Revenue	364,682	364,251	374,549	334,281	308,098
Gross profit	45,670	47,971	52,211	47,708	44,035
Ordinary operating profit	36,136	38,337	42,365	40,380	36,656
Profit/loss from financial income and financial expenses	-3,571	-3,544	-3,494	-2,356	-2,379
Profit for the year	22,216	25,160	27,868	25,817	23,995
Non-current assets	72,415	72,440	75,708	76,424	59,600
Current assets	198,875	190,527	177,075	174,675	162,230
Total assets	271,290	262,967	252,783	251,099	221,830
Portion relating to investment in property, plant and equipment	-9,571	-7,823	-12,938	-23,856	-13,015
Share capital	3,000	3,000	3,000	3,000	3,000
Equity	123,072	120,992	125,128	117,119	109,307
Provisions	6,236	7,022	7,335	6,980	4,268
Non-current liabilities other than provisions	25,253	28,942	30,837	34,248	26,171
Current liabilities other than provisions	114,574	103,942	87,712	91,290	80,885
Cash flows from operating activities	33,673	37,423	26,772	37,269	28,749
Cash flows from investing activities	-9,780	-5,877	-8,600	-26,082	-13,213
Cash flows from financing activities	-24,354	-32,814	-21,194	-10,191	-19,345
Total cash flows	-461	-1,268	-3,022	996	-3,809
Financial ratios					
Operating margin	9.9	10.5	11.3	12.1	11.9
Return on invested capital	22.1	23.7	27.8	29.1	28.3
Gross margin	12.5	13.2	13.9	14.3	14.3
Current ratio	173.9	183.3	184.7	191.1	200.6
Solvency ratio	45.4	46.0	49.5	46.6	49.3
Return on equity	18.2	20.4	23.0	22.8	22.5

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.

Management's review

Operating review

Principal activity

The Silhorko-Eurowater A/S Group's objective is to manufacture and service water treatment plants, including global sale.

Development in activities and financial position

The Group's revenue amounted to DKK 365.2 million in 2015/16 as against DKK 364.3 million in 2014/15.

During the year, a number of projects were completed in relation to the treatment of drinking water and technical water to be used in the industrial sector and the utility sector.

The treatment of drinking water projects comprise a large number of closed pressure filter solutions that optimise water treatment processes and minimise risks of contamination of drinking water and interruptions of operation at waterworks.

The treatment of technical water projects comprise a large number of complete water treatment solutions within a wide variety of fields of application where the solutions focus on water and energy savings without compromising on quality and operating efficiency.

Profit for the year

Profit after tax for the year amounted to DKK 23.4 million in 2015/16 as against DKK 25.9 million in 2014/15. In 2015/16, net financials showed net expenses of DKK 3.6 million compared to net expenses of DKK 3.5 million in 2014/15. The results are considered satisfactory.

At 31 October 2016, equity amounted to DKK 124 million. In the financial statements for 2015/16, dividends of DKK 15 million have been proposed.

Research and development activities

The Group does not have any actual research activities. Products are developed and improved on an ongoing basis.

Outlook

For 2016/17, a slight increase in revenue and profit is expected.

General risks

The Group and the parent company have no specific risks in relation to operations.

Corporate social responsibility

Silhorko-Eurowater A/S has not yet drawn up corporate social responsibility policies, policies on human rights and climate impact applicable to the entire Group.

Gender quotation

The share of female members on the Board of Directors is 0%. It is the goal to have the underrepresented gender represented in the Board of Directors. The goal is to have at least one of each gender represented on the Board of Directors within a four-year period. The Company has a policy of increasing the underrepresented gender on the Executive Board. In recruitment context, we are always looking for the best candidates. Part of the considerations include a goal to improve the qualifications and increase the recruitment of the underrepresented gender. It is our intention always to have representatives from the underrepresented gender among the last candidates for executive positions, promotions, management training, etc. As of 31 October 2016, the Executive Board is unchanged, and therefore, we have not yet achieved measurable results.



Management's review

Operating review

Events after the balance sheet date

No events have occurred after the balance sheet date which may materially affect the Company's financial position.

Financial statements 1 November – 31 October

Income statement

Note	DKK'000	Consolidated		Parent company	
		2015/16	2014/15	2015/16	2014/15
2	Revenue	364,682	364,251	195,016	179,429
	Cost of sales	-126,072	-130,136	-95,279	-86,754
	Contribution margin	238,610	234,115	99,737	92,675
4	Other external costs	-43,033	-40,814	-12,882	-12,584
	Other operating income	2,421	3,664	818	555
	Staff costs:				
3	Wages and salaries	-132,256	-129,634	-63,025	-59,812
	Pensions	-5,304	-5,095	-3,445	-3,429
	Social security costs	-14,768	-14,265	-1,604	-1,608
	Gross profit	45,670	47,971	19,599	15,797
5	Depreciation/amortisation	-9,534	-9,634	-3,618	-3,795
	Operating profit, etc.	36,136	38,337	15,981	12,002
10	Profit from subsidiaries	0	0	11,778	17,258
	Loss from other investments	44	295	0	0
6	Financial income	688	544	567	479
7	Financial expenses	-4,259	-4,088	-3,022	-2,511
	Profit before tax	32,609	35,088	25,304	27,228
8	Tax on profit	-10,104	-9,222	-3,088	-2,068
	Profit for the year	22,505	25,866	22,216	25,160
	Non-controlling shareholders' share of the results in subsidiaries	-289	-706	0	0
	Silhorko-Eurowater A/S' share of profit for the year	22,216	25,160	22,216	25,160
	Proposed profit appropriation				
	Proposed dividends			15,000	20,000
	Extraordinary Dividends			0	10,000
	Reserve for net revaluation according to the equity method			11,778	16,897
	Retained earnings			-4,562	-21,737
				22,216	25,160

Financial statements 1 November – 31 October

Balance sheet

Note	DKK'000	Consolidated		Parent company	
		2016	2015	2016	2015
		ASSETS			
		Non-current assets			
9	Intangible assets				
	Other intangible assets	552	339	508	69
		<u>552</u>	<u>339</u>	<u>508</u>	<u>69</u>
9	Property, plant and equipment				
	Properties	49,652	51,370	28,408	29,091
	Operating equipment	21,476	20,141	7,057	5,509
	Property, plant and equipment under construction	0	59	0	49
		<u>71,128</u>	<u>71,570</u>	<u>35,465</u>	<u>34,649</u>
	Investments				
10	Shares in subsidiaries	0	0	84,955	87,310
	Amounts owed by subsidiaries	0	0	5,652	8,097
	Deposit	515	344	76	76
	Other investments	220	187	0	0
		<u>735</u>	<u>531</u>	<u>90,683</u>	<u>95,483</u>
	Total non-current assets	<u>72,415</u>	<u>72,440</u>	<u>126,656</u>	<u>130,201</u>
	Current assets				
	Inventories	79,903	70,536	44,382	42,437
	Receivables				
	Trade receivables	69,747	71,963	25,454	23,263
	Trade receivables, Group	0	0	15,143	7,841
	Receivables, group enterprises	0	0	2,864	1,011
11	Contract work in progress	2,211	2,919	2,211	456
	Other receivables	3,793	3,989	2,932	2,088
8	Corporation tax	5,189	1,042	0	0
8	Deferred tax	13	1,633	0	0
	Prepayments	2,357	2,322	969	1,154
		<u>83,310</u>	<u>83,868</u>	<u>49,573</u>	<u>35,813</u>
	Cash at bank and in hand	<u>35,662</u>	<u>36,123</u>	<u>13</u>	<u>28</u>
	Total current assets	<u>198,875</u>	<u>190,527</u>	<u>93,968</u>	<u>78,278</u>
	TOTAL ASSETS	<u>271,290</u>	<u>262,967</u>	<u>220,624</u>	<u>208,479</u>

Financial statements 1 November – 31 October

Balance sheet

Note	DKK'000	Consolidated		Parent company	
		2016	2015	2016	2015
		EQUITY AND LIABILITIES			
		Equity			
12	Share capital	3,000	3,000	3,000	3,000
	Revaluation reserves, properties	10,945	10,945	10,945	10,945
	Reserve for net revaluation according to the equity method	0	0	45,100	48,617
	Retained earnings	94,127	87,047	49,027	38,430
	Proposed dividends	15,000	20,000	15,000	20,000
	Total equity	123,072	120,992	123,072	120,992
13	Non-controlling interests	2,155	2,069	0	0
	Provisions				
8	Deferred tax	5,312	6,570	2,980	3,024
	Other provisions	924	452	924	452
	Total provisions	6,236	7,022	3,904	3,476
	Liabilities other than provisions				
	Non-current liabilities other than provisions				
14	Mortgage debt	20,191	22,767	15,178	16,595
	Other non-current liabilities	6,472	7,669	0	519
	Lease liability	0	0	0	0
	Next year's instalment, transferred to current liabilities other than provisions	-1,410	-1,494	-1,410	-1,395
		25,253	28,942	13,768	15,719
	Current liabilities other than provisions				
	Next year's instalment on non-current liabilities other than provisions	1,410	1,494	1,410	1,395
	Bank loans and overdrafts	16,164	7,932	11,939	2,918
	Trade payables	20,257	18,602	8,270	8,347
	Trade payables, Group	0	0	1,596	698
11	Contract work in progress	406	37	406	37
	Amounts owed to Eurowater Holding A/S	28,914	31,072	28,914	31,072
	Other payables	28,730	30,379	11,941	11,469
	Amounts owed to subsidiaries	0	0	5,694	4,593
	Financial instruments	3,473	4,043	3,473	4,043
8	Tax payable	1,490	1,178	0	0
	Joint taxation contribution	3,355	2,419	3,257	2,388
	Deferred income	10,375	6,786	2,980	1,332
		114,574	103,942	79,880	68,292
	Total liabilities other than provisions	139,827	132,884	93,648	84,011
	TOTAL EQUITY AND LIABILITIES	271,290	262,967	220,624	208,479

- 1 Accounting policies
- 13 Treasury shares
- 16 Contingent liabilities, other financial commitments and collateral
- 17 Related parties

Financial statements 1 November – 31 October

Statement of changes in equity

DKK'000	Consolidated		Parent company	
	2015/16	2014/15	2015/16	2014/15
Equity at 1 November	120,992	125,128	120,992	125,128
Profit for the year	22,216	25,160	22,216	25,160
Dividends distributed	-20,000	-30,000	-20,000	-30,000
Adjustment of interest swap	445	480	445	480
Foreign exchange adjustment regarding subsidiaries	-581	224	-581	224
Equity at 31 October	<u>123,072</u>	<u>120,992</u>	<u>123,072</u>	<u>120,992</u>
Equity is specified as follows:				
Share capital at 1 November	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>
Share capital at 31 October	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>
Revaluation reserves, properties at 1 November	10,945	10,945	10,945	10,945
Transferred to retained earnings	0	0	0	0
Revaluation reserves, properties at 31 October	<u>10,945</u>	<u>10,945</u>	<u>10,945</u>	<u>10,945</u>
Reserve for net revaluation according to the equity method at 1 November	0	0	48,617	49,558
Disposal	0	0	0	-282
Foreign exchange adjustments of subsidiaries' opening values	0	0	-581	224
Dividends, subsidiaries	0	0	-14,714	-17,780
Profit for the year in subsidiaries	0	0	11,778	16,897
Reserve for net revaluation according to the equity method at 31 October	<u>0</u>	<u>0</u>	<u>45,100</u>	<u>48,617</u>
Retained earnings at 1 November	87,047	91,183	38,430	41,625
Foreign exchange adjustment	-581	224	0	0
Adjustment of interest swap	445	480	445	480
Transferred from appropriation account	7,216	-4,840	-4,562	-21,737
Dividends from subsidiaries	0	0	14,714	17,780
Disposal	0	0	0	282
Transferred from revaluation reserves, properties	0	0	0	0
Retained earnings at 31 October	<u>94,127</u>	<u>87,047</u>	<u>49,027</u>	<u>38,430</u>
Proposed dividends at 1 November	20,000	20,000	20,000	20,000
Extraordinary dividends	0	10,000	0	10,000
Dividends paid	-20,000	-30,000	-20,000	-30,000
Transferred from appropriation account	15,000	20,000	15,000	20,000
Proposed dividends at 31 October	<u>15,000</u>	<u>20,000</u>	<u>15,000</u>	<u>20,000</u>
Equity at 31 October	<u>123,072</u>	<u>120,992</u>	<u>123,072</u>	<u>120,992</u>

Financial statements 1 November – 31 October

Cash flow statement

Note	DKK'000	2015/16	2014/15
	Revenue	365,186	364,251
	Costs	-320,853	-319,944
	Other operating income, net	2,421	3,664
	Cash flows from operations (operating activities) before changes in working capital	46,754	47,971
	Changes in working capital	3,630	5,786
	Cash flows from operations (operating activities) before financial income and expenses	50,384	53,757
6	Interest received	688	544
7	Interest paid	-4,259	-4,088
	Cash flows from operations (ordinary activities)	46,813	50,213
8	Corporation tax paid	-13,140	-12,790
	Cash flows from operating activities	33,673	37,423
9	Acquisition of property, plant and equipment	-9,571	-7,823
9	Acquisition of intangible assets	-581	-75
	Disposal of property, plant and equipment	372	1,360
	Acquisition of investments	0	661
	Cash flows from investing activities	-9,780	-5,877
	Repayment of non-current liabilities	-3,773	-2,058
	Foreign exchange adjustment of liabilities	-581	-58
	Dividends distributed	-20,000	-30,698
	Cash flows from financing activities	-24,354	-32,814
	Net cash flows for the year	-461	-1,268
	Cash and cash equivalents at 1 November	36,123	37,391
	Cash and cash equivalents at 31 October	35,662	36,123

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements and the parent company financial statements.

Financial statements 1 November – 31 October

Notes

1 Accounting policies

The annual report of Silhorko-Eurowater A/S for 2015/16 has been prepared in accordance with the provisions applying to reporting class C (large) enterprises under the Danish Financial Statements Act.

The accounting policies used in the preparation of the consolidated financial statements and the parent company financial statements are consistent with those of last year.

Consolidated financial statements

The consolidated financial statements comprise the parent company and subsidiaries in which Silhorko-Eurowater A/S directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls. The non-controlling interests' share of profit for the year and equity are disclosed as individual items.

The consolidated financial statements are prepared based on the financial statements of Silhorko-Eurowater A/S and the consolidated companies restated to comply with the accounting policies of the Group. Similar items have been aggregated, and intra-group shareholdings, transactions, outstanding accounts and gains have been eliminated.

Non-controlling interests

In the consolidated financial statements, the items of subsidiaries are recognised in full. The non-controlling interests' proportionate shares of the subsidiaries' results and equity are adjusted annually and recognised separately in the income statement and balance sheet.

Foreign currency translation

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

The income statements and balance sheets of foreign consolidated companies are translated at the official exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening equity at the exchange rates at the balance sheet date are recognised directly in equity.

Derivative financial instruments

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

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised in other receivables or other payables and in equity.

Income statement

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement provided that delivery and transfer of risk to the buyer have taken place before year end and that the income can be reliably measured and is expected to be received. Revenue from the sale of services is recognised in the income when the services are completed and provided that the income can be reliably measured and is expected to be received. Revenue is measured ex VAT, taxes and less discounts in relation to the sale.

Financial statements 1 November – 31 October

Notes

1 Accounting policies (continued)

Cost of sales

Cost of sales includes costs for the purchase of goods to achieve the revenue for the year. Cost of sales includes received discounts etc.

Staff costs

Staff costs comprise wages and salaries, remuneration, pensions and other staff costs to the employees.

Other operating income and costs

Other operating income and costs comprise items secondary to the activities of the enterprises.

Profits/losses from investments in subsidiaries and associates

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement of the parent company after full elimination of intra-group profits/losses.

The proportionate share of the results after tax of the associates is recognised in both the consolidated income statement and the parent company income statement after elimination of the proportionate share of intra-group profits/losses.

Financial income and financial expenses

Financial income and financial expenses comprise interest income and expense, gains and losses on payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Intangible assets

Intangible assets comprise licences and software. Intangible assets are measured at cost less amortisation and impairment losses and are amortised on a straight-line basis over 3-15 years.

Gains and losses on the disposal of licences are determined as the difference between the sales price less disposal costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating costs, respectively.

Property, plant and equipment

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

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Financial statements 1 November – 31 October

Notes

1 Accounting policies (continued)

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Buildings	30-50 years
Plant and machinery	5-12 years
Fixtures and fittings, other plant and equipment	3-5 years

Depreciation is recognised in the income statement.

Minor acquisitions and repair and maintenance costs are expensed in the income statement.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the sales price less disposal costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating costs, respectively.

Investments in subsidiaries and associates

Investments in subsidiaries consist of companies in which the Group holds more than 50% of the voting rights.

Income statement

The proportionate share of the results after tax of the individual enterprises is recognised in the income statement after full elimination of intra-group profits/losses.

Balance sheet

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

Investments in subsidiaries are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the Group's accounting policies minus or plus unrealised intra-group profits and losses in accordance with the acquisition method.

Investments in subsidiaries with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down if the amount owed is irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

Net revaluation of investments in subsidiaries is recognised in the reserve for net revaluation in equity under the equity method to the extent that the carrying amount exceeds cost. Dividends from subsidiaries which are expected to be adopted before the approval of the annual report of Silhorko-Eurowater A/S are not recognised in the reserve for net revaluation.

On acquisition of subsidiaries, the acquisition method is applied; see Consolidated financial statements above.

Impairment on non-current assets

The carrying amount of intangible assets and property, plant and equipment as well as investments in subsidiaries and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

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1 Accounting policies (continued)

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance and depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not recognised.

Receivables

Receivables are measured at amortised cost, usually at nominal value.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, a write-down is made based on an individual assessment.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of the expected cash flows, including the realisable value of any collateral received.

Contract work in progress

Contract work in progress is measured at the selling price of the work performed. The selling price is measured by reference to the stage of completion at the balance sheet date and total projected income from the contract work.

When the selling price of a construction contract cannot be measured reliably, the selling price is measured at the lower of costs incurred and net realisable value.

Individual contract work in progress is recognised in the balance sheet under either receivables or payables. Net assets represent the sum of work in progress where the sales value of the work performed exceeds progress billings. Net liabilities represent the sum of work in progress where progress billings exceed the sales price.

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

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity

Reserve for net revaluation according to the equity method

Net revaluation of investments in subsidiaries and associates is recognised at cost in the reserve for net revaluation according to the equity method.

The reserve may be eliminated in case of losses, realisation of investments or a change in accounting estimates.

The reserve cannot be recognised at a negative amount.

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1 Accounting policies (continued)

Dividends

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

Corporation tax and deferred tax

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

Provision for deferred tax is recognised on temporary differences between the carrying amount and the tax value of assets at the balance sheet date. Deferred tax regarding the Company's properties is computed as the difference between cost and the tax base. Deferred tax is computed based on the existing tax rate. Changes for the year in deferred tax are recognised in the income statement.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

The parent company is jointly taxed with Danish subsidiaries. The current Danish corporation tax is allocated between the jointly taxed Danish companies in proportion to their taxable income (full absorption with refunds for tax losses).

Liabilities

Financial liabilities are measured at amortised costs. Other liabilities are measured at net realisable value.

Deferred income

Deferred income comprises payments received concerning income in subsequent years.

Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group'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 profit/loss for the year adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities and of intangible assets, property, plant and equipment and investments.

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1 Accounting policies (continued)

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise liquid funds.

Segment information

Information is provided on business segments and geographical markets. Segment information is based on the Group's accounting policies, risks and internal financial management.

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

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

Operating margin	$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$
Return on invested capital	$\frac{\text{Operating profit/loss} \times 100}{\text{Average invested capital}}$
Invested capital	Operating intangible assets and property, plant and equipment plus net working capital
Gross margin	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities other than provisions}}$
Solvency ratio	$\frac{\text{Equity, ex. non-controlling interests at year end} \times 100}{\text{Total equity and liabilities at year end}}$
Profit/loss for analytical purposes	Profit/loss from ordinary activities after tax
Return on equity	$\frac{\text{Profit/loss for analytical purposes} \times 100}{\text{Average equity}}$

2 Segment information

Geographical – secondary segment

DKK'000	Nordic countries	Rest of world	Total group
Revenue 2015/16	145,211	219,471	364,682
Revenue 2014/15	143,870	220,381	364,251

The Group operates solely in one business segment.

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3 Staff costs

During the financial year, the Group had an average of 342 employees (2014/15: 337 employees) hereof 125 employed by the parent company (2014/15: 123 employees) and 221 employed by subsidiaries (2014/15: 214 employees).

According to section 98 b (3) of the Danish Financial Statements Act, executive remuneration is not disclosed.

DKK'000	Consolidated		Parent company	
	2015/16	2014/15	2015/16	2014/15
4 Fees paid to the auditors appointed at the annual general meeting				
Total fees to Ernst & Young	298	265	226	228
Total fees to others	843	869	0	0
	1,141	1,134	226	228
Fee regarding statutory audit	538	496	136	133
Tax assistance	0	27	0	22
Assurance engagements	7	11	2	2
Other assistance	596	600	88	71
	1,141	1,134	226	228
5 Depreciation/amortisation				
Amortisation of other intangible assets, see note 9	363	799	87	355
Depreciation of properties, see note 9	1,841	1,783	1,156	1,124
Depreciation of operating equipment, see note 9	7,330	7,052	2,375	2,316
	9,534	9,634	3,618	3,795
6 Financial income				
Interest income from group enterprises	0	0	471	453
Interest income, etc.	688	544	96	26
	688	544	567	479
7 Financial expenses				
Interest expense to group enterprises	232	201	1,376	884
Interest expense, etc.	4,027	3,887	1,646	1,627
	4,259	4,088	3,022	2,511

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8 Corporation tax

DKK'000	Consolidated			2014/15
	Current tax	Deferred tax	Total	
Balance at 1 November 2015	2,555	4,937	7,492	10,932
Paid during the financial year	-13,140	0	-13,140	-12,790
	-10,585	4,937	0	-1,858
Deferred tax on equity entries	125	0	125	128
Tax on profit for 2015/16	10,104	167	10,271	9,222
Balance at 31 October 2016	-356	5,104	10,396	7,492

DKK'000	Parent company			2014/15
	Current tax	Deferred tax	Total	
Balance at 1 November 2015	2,388	3,023	5,411	7,373
Paid during the financial year	2,388	0	2,388	-4,177
	4,776	3,023	7,799	3,196
Deferred tax on equity entries	0	125	125	147
Tax on profit for 2015/16	3,256	-168	3,088	2,068
Balance at 31 October 2016	8,032	2,980	11,012	5,411

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9 Intangible assets and property, plant and equipment

DKK'000	Consolidated				
	Intangible assets	Properties	Operating equipment	Property, plant and equipment under construction	Total
Cost at 1 November 2015	8,113	64,165	78,057	59	150,394
Foreign exchange adjustment at 1 November 2015	-6	-350	-196	0	-552
Additions for the year	581	473	9,098	0	10,152
Disposals for the year	0	0	-5,611	-59	-5,670
Cost at 31 October 2016	8,688	64,288	81,348	0	154,324
Revaluation in previous years (additions)	0	10,945	0	0	10,945
Revaluation at 31 October 2016	0	10,945	0	0	10,945
Depreciation/amortisation at 1 November 2015	-7,773	-23,740	-57,916	0	-89,429
Depreciation/amortisation of assets sold	0	0	5,374	0	5,374
Depreciation/amortisation for the year	-363	-1,841	-7,330	0	-9,534
Depreciation/amortisation at 31 October 2016	-8,136	-25,581	-59,872	0	-93,589
Carrying amount at 31 October 2016	552	49,652	21,476	0	71,680
Carrying amount at 1 November 2015	339	51,370	20,141	59	71,909

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9 Intangible assets and property, plant and equipment (continued)

DKK'000	Parent company				Total
	intangible assets	Properties	Operating equipment	Property, plant and equipment under construction	
Cost at 1 November 2015	5,522	35,311	22,787	49	63,669
Additions for the year	526	473	3,959	0	4,958
Disposals for the year	0	0	-1,600	-49	-1,649
Cost at 31 October 2016	6,048	35,784	25,146	0	66,978
Revaluation (additions)	0	10,945	0	0	10,945
Cost at 31 October 2016	6,048	46,729	25,146	0	77,923
Depreciation/amortisation at 1 November 2015	-5,453	-17,165	-17,278	0	-39,896
Depreciation of assets sold	0	0	1,564	0	1,564
Depreciation/amortisation for the year	-87	-1,156	-2,375	0	-3,618
Depreciation/amortisation at 31 October 2016	-5,540	-18,321	-18,089	0	-41,950
Carrying amount at 31 October 2016	508	28,408	7,057	0	35,973
Carrying amount at 1 November 2015	69	29,091	5,509	49	34,718

10 Shares in subsidiaries, etc.

DKK'000	Parent company	
	2015/16	2014/15
Cost at 1 November	31,480	31,498
Additions	0	0
Disposals	0	-18
Inter-group grant	0	0
Cost at 31 October	31,480	31,480
Value adjustments at 1 November	48,617	49,558
Disposals	0	-282
Foreign exchange adjustment of subsidiaries' opening values	-581	224
Share of profits after tax in subsidiaries	11,778	16,897
Value adjustments additions	0	0
Dividends from subsidiaries	-14,714	-17,780
Value adjustments at 31 October	45,100	48,617
Carrying amount at 31 October	76,580	80,097

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10 Shares in subsidiaries, etc. (continued)

DKK'000	Parent company	
	2015/16	2014/15
Thereof recognised in shares in subsidiaries	84,955	87,310
Thereof transferred for write-down of receivables in subsidiaries	-8,375	-7,213
	<u>76,580</u>	<u>80,097</u>

Name and registered office	Stake	Share capital	Equity	Share of profit for the year	Carrying amount
		DKK'000	DKK'000	DKK'000	DKK'000
Armacoat A/S, Denmark	100%	500	2,132	638	2,132
Eurotronic ApS, Denmark	100%	200	253	7	253
Eurotank A/S, Harlev, Denmark	100%	510	2,926	-5	2,926
Eurowater AB, Sweden	100%	75	12,902	495	12,902
Eurowater AS, Norway	100%	762	1,654	-37	1,654
Eurowater B.V., the Netherlands	100%	134	-6,069	-1,013	-6,069
Eurowater Kft., Hungary	60%	72	-163	3	-98
Eurowater Ltd., Ukraine	99%	135	-2,215	-346	-2,193
Eurowater N.V., Belgium	100%	558	8,733	1,845	8,733
Eurowater S.r.o., Slovakia	50%	62	8,588	911	4,294
Eurowater S.r.o., the Czech Republic	100%	138	9,253	2,913	9,253
Eurowater Sarl., France	90%	1,451	1,888	-158	1,699
Eurowater Sp. z o.o., Poland	80%	361	10,156	1,227	8,125
Eurowater Wasseraufbereitung AG, Switzerland	100%	344	1,052	-24	1,052
Eurowater Wasseraufbereitung Ges.mmbH, Austria	100%	379	4,431	368	4,431
Eurowater Wasseraufbereitung GmbH, Germany	100%	3,801	27,332	7,896	27,332
Unitex Sp. z o.o., Poland	100%	344	154	-2,942	154
		<u>9,826</u>	<u>83,007</u>	<u>11,778</u>	<u>76,580</u>
Profit on the sale of minority interests					

DKK'000	Consolidated		Parent company	
	2015/16	2014/15	2015/16	2014/15
11 Contract work in progress				
Selling price of work performed	21,516	36,677	21,516	27,484
Progress billings	-19,711	-33,795	-19,711	-27,065
	<u>1,805</u>	<u>2,882</u>	<u>1,805</u>	<u>419</u>
recognised as follows:				
Construction contracts (assets)	2,211	2,919	2,211	456
Construction contracts (liabilities)	-406	-37	-406	-37
	<u>1,805</u>	<u>2,882</u>	<u>1,805</u>	<u>419</u>

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12 Share capital

DKK 3,000,000 specified as follows:

Classes of shares	Denomi- nation	Number of shares
A	100,000	3
B	10,000	270

The share capital has not been subject to any changes for the past five years.

Treasury shares

DKK'000	Portion of share capital	Nominal value	Carrying amount	2015/16
Shareholding at 1 November 1996 (unchanged at 31 October 2016)	3%	90,000	0	0

DKK'000	2015/16	2014/15
13 Non-controlling interests, consolidated		
Non-controlling interests at 1 November	2,069	1,771
Additions	0	304
Disposals	0	-698
Foreign exchange adjustments of non-controlling interests opening values	-203	-14
Share of profit for the year	289	706
	2,155	2,069

14 Non-current liabilities other than provisions, consolidated

Mortgage debt falling due later than 31 October 2021 is specified as follows:

Silhorko-Eurowater A/S	8,098	9,480
Armacoat A/S	5,013	5,660
	13,111	15,140

Non-current liabilities other than provisions, parent company

Mortgage debt falling due later than 31 October 2021 is specified as follows:

Silhorko-Eurowater A/S	8,098	9,480
	8,098	9,480

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15 Contingent liabilities, other financial commitments and collateral

Normal performance bonds have been provided in connection with the sale of plant.

The Group has entered into operating leases with a residual liability of DKK 676 thousand, which falls due within five years.

The parent company has provided guarantee for subsidiary maximised to DKK 3,786 thousand.

The Company is jointly taxed with the other Danish companies in the Eurowater Group. As a wholly-owned subsidiary, the Company has, together with the jointly taxed companies, joint and several liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties within the joint taxation unit. The jointly taxed enterprises' total net liability to SKAT is stated in the financial statements of the administrative company, Eurowater-Holding A/S, CVR no. 27 06 91 50. Any subsequent corrections of the joint taxation income and withholding tax, etc. may entail an increased liability for the Company.

Collateral

The following assets have been provided as collateral vis-à-vis the Group banks:

Owner's mortgages, DKK 44,476 thousand, secured on the Group's properties with a carrying amount of DKK 49,652 thousand.

16 Related parties

Silhorko-Eurowater A/S' related parties comprise the following:

Control

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

Other related parties

Furthermore, the Company's related parties comprise subsidiaries and other enterprises in which Silhorko-Eurowater A/S has investments and the companies' Boards of Directors and Executive Boards and their family members. Further, related parties comprise companies in which the above persons have substantial interests.