

Carsoe Group A/S

Mineralvej 6
9220 Aalborg Øst
CVR No. 39893932

Annual report 01.10.2020 - 30.09.2021

The Annual General Meeting adopted the
annual report on 25.02.2022

Hugo Holst Dissing

Chairman of the General Meeting

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Entity details

Entity

Carsoe Group A/S

Mineralvej 6

9220 Aalborg Øst

Business Registration No.: 39893932

Registered office: Aalborg

Financial year: 01.10.2020 - 30.09.2021

Board of Directors

Denis Jean Jørgen Viet-Jacobsen, chairman

Kristian Johnsen Hundebøll

Thomas Voss

Michael Pontoppidan Frost

Helle Thorning-Schmidt

Pernille Wichmann

Executive Board

Hugo Holst Dissing, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Carsoe Group A/S for the financial year 01.10.2020 - 30.09.2021.

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

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30.09.2021 and of the results of their operations and the consolidated cash flows for the financial year 01.10.2020 - 30.09.2021.

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

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

Aalborg, 25.02.2022

Executive Board

Hugo Holst Dissing

CEO

Board of Directors

Denis Jean Jørgen Viet-Jacobsen

chairman

Kristian Johnsen Hundebøll

Thomas Voss

Michael Pontoppidan Frost

Helle Thorning-Schmidt

Pernille Wichmann

Independent auditor's report

To the shareholders of Carsoe Group A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Carsoe Group A/S for the financial year 01.10.2020 - 30.09.2021, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30.09.2021 and of the results of their operations and the consolidated cash flows for the financial year 01.10.2020 - 30.09.2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Emphasis of matter

We draw attention to note 1 which states that developments in sanctions against Russia may have material consequences for the Carsoe Group. At this point in time, there is no knowledge of sanctions that would stop business relations with Russian customers – either in terms of payment or delivery. It is difficult to predict how the situation will evolve, but the Company's Management intends at any time to observe sanctions that the authorities might implement. Our opinion has not been modified with respect to this matter.

Management's responsibilities for the consolidated financial statements and the parent financial statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent financial statements.

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

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

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

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

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

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

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

Aarhus, 25.02.2022

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Henrik Vedel

State Authorised Public Accountant
Identification No (MNE) mne10052

Jakob Olesen

State Authorised Public Accountant
Identification No (MNE) mne34492

Management commentary

Financial highlights

	2020/21	2019/20	2018/19
	DKK'000	DKK'000	DKK'000
Key figures			
Revenue	564,548	689,124	785,947
Gross profit/loss	208,787	251,919	241,712
Operating profit/loss	(15,754)	(873)	16,271
Net financials	(12,826)	(5,519)	(14,209)
Profit/loss for the year	(23,097)	(9,342)	(6,934)
Profit for the year excl. minority interests	(23,097)	(9,342)	(7,036)
Balance sheet total	672,718	705,810	750,079
Investments in property, plant and equipment	4,121	14,228	16,282
Equity	240,579	261,715	266,515
Equity excl. minority interests	240,579	261,715	266,125
Cash flows from operating activities	(1,135)	10,048	(12,914)
Cash flows from investing activities	32,035	(19,867)	(408,678)
Cash flows from financing activities	24,260	(1,241)	450,354
Ratios			
Gross margin (%)	36,98	36,56	30,75
Net margin (%)	(4,09)	(1,36)	(0,88)
Return on equity (%)	(9,20)	(3,6)	(2,6)
Equity ratio (%)	35,76	37,08	35,48

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Gross margin (%):

$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$

Net margin (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Revenue}}$

Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity excl minority interest}}$

Equity ratio (%):

$\frac{\text{Equity excl. minority interests} * 100}{\text{Balance sheet total}}$

Primary activities

The Group is a leading global provider of niche processing equipment and services for the onboard seafood and food processing industries. Carsoe's activities comprise product development, manufacturing, installation and service.

Development in activities and finances

Revenue for 2020/21 was DKK 565m, which was mainly derived from activities within onboard seafood processing.

The Company's comparable revenue, adjusted for the divested Liquid Tank business, declined by approx. 16% compared to 2019/2020 and came in below expectations at the start of the financial year. The decrease was to a great extent caused by the Covid-19 situation as ongoing international projects were delayed due to travel restrictions and shipyards being partly or fully closed during parts of the year. The timelines for several major projects have therefore been extended further into 2021/22.

The Company has to the extent possible been able to adapt capacity to tie in with the postponed delivery dates. The Company has thereby been able to limit the financial impacts of customer delays to some extent. No existing or pending pipeline projects have been cancelled, and therefore, the financial impact of the Covid-19 situation mainly affects the timing of projects between 2020/21 and 2021/22, although it has also caused some additional costs and inefficiencies.

During the year, the Liquid Tank activities have been carved out and divested in the beginning of July. The net profit of DKK 30m from the sale of these activities is included under other operating income.

The net loss after tax for 2020/21 was DKK 23m compared to a loss last year of DKK 9m.

Profit/loss for the year in relation to expected developments

The Company's comparable revenue, adjusted for the divested Liquid Tank business, declined by approx. 16% compared to 2019/2020 and came in below expectations at the start of the financial year.

For further justification, see previous section.

Outlook

The outlook for the financial year 2021/2022 is uncertain as it is not possible to foresee when the full effects of the Covid-19 pandemic will diminish, and the markets normalize.

In November 2021, Carsoe has acquired all shares in Intech International A/S. Following completion of the acquisition, the two companies will consolidate the combined seafood activities at Carsoe and integrate all food activities relating to tray denesting technology at Intech.

The consolidation aims to sharpen focus and increase the capacity to significantly strengthen each segment's market position and growth potential by leveraging the benefits of pooling investments in sales, service, and product development.

Following the consolidation, the Company expects significant growth in revenues as well as improved profitability.

The company has adjusted the financial calendar to follow the calendar year going forward. Hence the annual report for the year 2021-2022 will cover a 15-month period.

The Company currently expects a significant increase in profit before tax in the range of DKK 25-35m.

Particular risks

Operating risks

The Group's most significant operating risks relate to its ability to retain client relations, key employees and always to be at the forefront of technological development within the Group's business areas.

Because of the significant price fluctuations on the volatile steel market, the Group's use of steel as a raw material involves a risk in case of unexpected steel price increases as such price increases might not have been taken into account in outstanding quotations.

Financial and insurance risks

Due to its operating, investment and financial activities, the Group is exposed to fluctuations in exchange rates and interest rates. It is the Group's policy not to conduct active speculation in financial risks. The Group's financial control is thus solely directed towards control of already assumed liabilities.

As a consequence of foreign activities, results, cash flows and equity are affected by fluctuations in exchange rates and interest rates of a few currencies. It is the Group's policy to hedge commercial exchange rate risks. Such hedging is primarily affected through foreign exchange contracts on anticipated sales and purchases, though this does not apply to DKK versus EUR as this rate is fixed. No speculative foreign currency transactions are conducted.

Currency adjustments of investments in subsidiaries which are independent entities are recognized directly in equity. As a main rule, related currency risks are not hedged, as the Group believes that current hedging of such long-term investments will not be optimal from an overall risk and cost perspective.

The Group has bank loans and moderate changes to the interest level in the current global low interest rate environment will not have any major impact on earnings. The Group therefore does not adopt any interest rate positions to hedge interest rate risks.

Knowledge resources

The Group's business foundation is to supply high-tech and reliable equipment and installations for manufacturing and processing in the food industry. This places particularly high demands on our knowledge resources in the form of employee know-how and well-established business processes. The critical business processes are engineering, project execution and management, and aftermarket services.

It is also critical for the Group to be able to recruit and retain highly educated and knowledgeable employees.

Research and development activities

Our research and development activities are primarily carried out at the head office in Denmark. Development activities include the development of equipment and components for the processing of customers' products within the Group's business areas. A total of DKK 3m was spent during the financial year on development activities, primarily within solutions for the fishing industry.

Development activities are expected to be carried out at the same level during next financial year.

Statutory report on corporate social responsibility

Referring to the primary activities above, the Carsoe Group has activities across the full value-chain. Corporate social responsibility is an integral part of Carsoe Group's business strategy, and we remain committed to and focused on all aspects, from environment, employee satisfaction, human rights, anti-corruption and our role in society in general.

The Company wants to act responsibly in relation to customers, employees, business partners and the outside world. We are aware that there may be several opportunities and risks concerning corporate social responsibility in relation to our business.

We elaborate in the following on how we manage our corporate social responsibility and related risks in our work.

Environment and climate

Carsoe Group manufactures and distributes products in Denmark, the US, Norway and the UK and the impact from this on the environment in terms of waste and CO2 emissions are the primary risks to be addressed.

The Company has a comprehensive policy for its environmental work, which has been further developed in 2021 with specific objectives. The strategy is based on environmentally sound operations and is integrated with the Company's objectives for product quality and production facilities.

The Company's only discharge emanates from the disposal of waste. Wastewater is transported to Fortum Waste Solutions A/S, and all other production waste is sorted before transportation to a re-cycling station. The entire sorting of waste was recently optimized in 2018/19. Likewise, the Company's energy systems, such as ventilation and heating systems, were also optimized in 2018/19. In addition, LED lighting is used throughout the Company's premises in Denmark and all fork-lifts are electrically powered.

Management believes that the Company through these initiatives has achieved a satisfactory level for managing the environmental impact. Our internal Green Profile Group, which was established in 2019/20 to identify further possible environmental measures, has identified several new initiatives. These include further requirements for suppliers etc., which are currently being evaluated.

The Company expects to maintain the current level for managing the environmental impact.

Corruption and bribery

The Company's production of machinery, fixtures and fittings for the dairy and fishing industries is sold primarily to customers in Europe, Russia and the US. We are aware of the risk that in some countries corruption and bribery may be more prevalent and we are diligent in ensuring we avoid such risks in our business relationships. The Company has a zero-tolerance policy, which means that any suspected violations must be fully investigated.

The Company has a Compliance Handbook that embodies the Company's core values and our Code of Ethics. The Compliance Handbook includes our anti-corruption policies as well as policies for Supplier Code of Conduct, money laundering, export control and international trade sanctions. The Company's executives confirm compliance with the policies every third month.

Management did not become aware during the financial year of any breach of the compliance rules and expects to maintain the current level of procedures and controls.

Human rights

Regarding human rights and employees, the primary risks Carsoe Group addresses are related to discrimination and the risk of work-related accidents in the production area.

The Company's Code of Ethics requires the Group's employees to act with integrity and in accordance with acceptable ethical standards for human rights.

To deal with any risk from our business partners, the Company has prepared a Supplier Code of Conduct that sets the same requirements for the Company's suppliers of goods and services. If a supplier violates the rules, the Company will try to establish close cooperation to help the supplier improve business standards and employee well-being.

However, the Company reserves the right to terminate contracts with a supplier immediately if the supplier should continue to violate the rules intentionally and is unwilling to discuss and agree on the implementation of a planned improvement.

We did not find in 2020/21 any breach of our Code of Ethics or Supplier Code of Conduct and expects to maintain the current procedures in the future .

Employees

The Company's Staff Manual sets out internal guidelines showing our employees how we want to interact with each other as colleagues. The guidelines include a set of clearly defined principles for how we want to work and interact with each other in our open-plan offices.

The Staff Manual is handed out to all new employees and reviewed as part of the onboarding process. The Staff Manual also contains policies for continuing training of the Company's employees, including relevant first aid and safety courses to create a safe work environment. This is supported by the Company's working environment organisation, which is appointed by all employees at Carsoe ApS to deal with the health and safety issues in the departments.

Management believes that the integration of new employees has proceeded well, and the work environment organization has helped to maintain a good work environment in 2020/21. Management expects to continue with the current program in the future.

Statutory report on the underrepresented gender

Carsoe Group A/S believes that diversity among employees, including equal distribution of gender, contributes positively to the work environment and strengthens business performance and competitiveness.

The Group is working to increase the number of female managers in the Group and, based on this, has set specific targets for the share of the underrepresented gender in the Group's management in general. The Group has a target that 25% of the management positions in the Group should be held by women by 2022.

Management positions cover the Board of Directors, the Executive Board, middle managers as well as divisional managers and department managers. The policy is supported by a practice which aims to ensure that both genders are represented in job interviews where possible.

The current distribution on the Group's Board of Directors is 33% women and in the other management positions 13%. The target for the Board of Directors has been achieved in 2020/21. The target for the Board of

Directors is adjusted to be 50% of the positions to be held by women by 2024. The target for middle management has not yet been achieved as, when recruiting employees, the Group chooses candidates based on their qualifications and competencies. The gender of the candidate is not an assessment factor in this process, and there is consequently no gender discrimination in the recruitment process.

Events after the balance sheet date

Carsoe Group has not insignificant business relations with customers in Russia. In this context, Management is monitoring developments in Ukraine very closely, including developments in the sanctions against Russia that might affect Carsoe's business with these customers. At this point in time, there are no known sanctions that would stop Carsoe's business with these customers – either in terms of payment or delivery. Also, it is difficult right now to predict how the situation will evolve, and Carsoe intends at any time to observe sanctions that the authorities might implement. Should sanctions be implemented in future that would block delivery or payment, this may have a significant impact on Carsoe's strategy.

Effective 1 November 2021, Carsoe has acquired all shares in Intech International A/S.

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

Consolidated income statement for 2020/21

	Notes	2020/21 DKK'000	2019/20 DKK'000
Revenue	2	564,548	689,124
Other operating income	3	37,215	0
Costs of raw materials and consumables		(332,951)	(377,667)
Other external expenses	4	(60,025)	(59,538)
Gross profit/loss		208,787	251,919
Staff costs	5	(173,943)	(202,402)
Depreciation, amortisation and impairment losses	6	(50,598)	(50,390)
Operating profit/loss		(15,754)	(873)
Other financial income	7	2,836	4,604
Other financial expenses	8	(15,662)	(10,123)
Profit/loss before tax		(28,580)	(6,392)
Tax on profit/loss for the year	9	5,483	(2,950)
Profit/loss for the year	10	(23,097)	(9,342)

Consolidated balance sheet at 30.09.2021

Assets

	Notes	2020/21 DKK'000	2019/20 DKK'000
Completed development projects	12	8,926	12,858
Acquired intangible assets		30,980	43,543
Goodwill		290,478	309,787
Development projects in progress	12	2,884	0
Intangible assets	11	333,268	366,188
Land and buildings		2,782	2,686
Plant and machinery		9,518	15,013
Other fixtures and fittings, tools and equipment		4,490	5,369
Leasehold improvements		21,690	26,721
Property, plant and equipment in progress		0	159
Property, plant and equipment	13	38,480	49,948
Deposits		1,505	1,468
Financial assets	14	1,505	1,468
Fixed assets		373,253	417,604
Raw materials and consumables		31,795	36,448
Work in progress		3,367	2,853
Manufactured goods and goods for resale		12,406	10,697
Prepayments for goods		10,078	31,769
Inventories		57,646	81,767

Trade receivables		99,796	104,511
Contract work in progress	15	50,896	72,777
Other receivables		15,919	1,809
Tax receivable		0	4,337
Prepayments	16	2,346	5,303
Receivables		168,957	188,737
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Cash		72,862	17,702
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Current assets		299,465	288,206
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Assets		672,718	705,810
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Equity and liabilities

	Notes	2020/21 DKK'000	2019/20 DKK'000
Contributed capital		28,078	28,043
Translation reserve		1,551	0
Reserve for fair value adjustments of hedging instruments		60	0
Retained earnings		210,890	233,672
Equity		240,579	261,715
Deferred tax	17	22,229	29,697
Other provisions	18	6,978	2,518
Provisions		29,207	32,215
Bank loans		128,432	147,999
Lease liabilities		46	0
Other payables	19	18,722	8,479
Non-current liabilities other than provisions	20	147,200	156,478
Current portion of non-current liabilities other than provisions	20	0	28,556
Bank loans		78,948	16,191
Prepayments received from customers		0	8,534
Contract work in progress	15	65,352	84,488
Trade payables		66,066	74,117
Tax payable		684	187
Other payables	21	44,097	42,869
Deferred income	22	585	460
Current liabilities other than provisions		255,732	255,402
Liabilities other than provisions		402,932	411,880
Equity and liabilities		672,718	705,810
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	24		
Assets charged and collateral	25		
Transactions with related parties	26		
Subsidiaries	27		

Consolidated statement of changes in equity for 2020/21

	Contributed capital DKK'000	Share premium DKK'000	Translation reserve DKK'000	Reserve for fair value adjustments of hedging instruments DKK'000	Retained earnings DKK'000
Equity beginning of year	28,043	0	0	0	233,672
Increase of capital	35	315	0	0	0
Transferred from share premium	0	(315)	0	0	315
Exchange rate adjustments	0	0	1,551	0	0
Value adjustments	0	0	0	60	0
Profit/loss for the year	0	0	0	0	(23,097)
Equity end of year	28,078	0	1,551	60	210,890

	Total DKK'000
Equity beginning of year	261,715
Increase of capital	350
Transferred from share premium	0
Exchange rate adjustments	1,551
Value adjustments	60
Profit/loss for the year	(23,097)
Equity end of year	240,579

Consolidated cash flow statement for 2020/21

	Notes	2020/21 DKK'000	2019/20 DKK'000
Operating profit/loss		(15,754)	(873)
Amortisation, depreciation and impairment losses		50,598	50,390
Other provisions		3,710	0
Working capital changes	23	(725)	(27,254)
Other adjustments		(29,868)	0
Cash flow from ordinary operating activities		7,961	22,263
Financial income received		106	299
Financial expenses paid		(12,051)	(9,645)
Taxes refunded/(paid)		2,849	(2,869)
Cash flows from operating activities		(1,135)	10,048
Acquisition etc. of intangible assets		(3,897)	(5,688)
Acquisition etc. of property, plant and equipment		(4,121)	(14,228)
Sale of property, plant and equipment		328	225
Acquisition of fixed asset investments		(47)	(176)
Disposal of activities		39,772	0
Cash flows from investing activities		32,035	(19,867)
Free cash flows generated from operations and investments before financing		30,900	(9,819)
Loans raised		139,008	0
Repayments of loans etc.		(176,365)	(7,862)
Cash capital increase		350	6,077
Reduction of lease commitments		(190)	(419)
Other loans		(1,300)	963
Increase of bank loans		62,757	0
Cash flows from financing activities		24,260	(1,241)

Increase/decrease in cash and cash equivalents	55,160	(11,060)
Cash and cash equivalents beginning of year	17,702	28,762
Cash and cash equivalents end of year	72,862	17,702
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Cash and cash equivalents at year-end are composed of:		
Cash	72,862	17,702
Cash and cash equivalents end of year	72,862	17,702
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Notes to consolidated financial statements

1 Events after the balance sheet date

Carsoe Group has not insignificant business relations with customers in Russia. In this context, Management is monitoring developments in Ukraine very closely, including developments in the sanctions against Russia that might affect Carsoe's business with these customers. At this point in time, there are no known sanctions that would stop Carsoe's business with these customers – either in terms of payment or delivery. Also, it is difficult right now to predict how the situation will evolve, and Carsoe intends at any time to observe sanctions that the authorities might implement. Should sanctions be implemented in future that would block delivery or payment, this may have a significant impact on Carsoe's strategy.

Effective 1 November 2021, Carsoe has acquired all shares in Intech International A/S.

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

2 Revenue

	2020/21	2019/20
	DKK'000	DKK'000
Europe	422,433	496,689
Other countries	142,115	192,435
Total revenue by geographical market	564,548	689,124
Onshore	98,910	179,970
Offshore	465,638	509,154
Total revenue by activity	564,548	689,124

3 Other operating income

Other operating income comprises a profit of DKK 29.868k from the sale of the tank division, received compensation during COVID-19 regarding staff costs DKK 7,080k and other income DKK 267k.

4 Fees to the auditor appointed by the Annual General Meeting

	2020/21	2019/20
	DKK'000	DKK'000
Statutory audit services	408	395
Tax services	57	55
Other services	110	106
	575	556

5 Staff costs

	2020/21	2019/20
	DKK'000	DKK'000
Wages and salaries	154,516	177,153
Pension costs	16,690	21,084
Other social security costs	2,737	4,165
	173,943	202,402
Average number of full-time employees	311	366

	Remuneration of manage- ment 2020/21	Remuneration of manage- ment 2019/20
	DKK'000	DKK'000
Executive Board	2,445	0
Board of Directors	1,313	0
Total amount for management categories	0	3,377
	3,758	3,377

According to section 98B(3) no.2 of the Danish Financial Statement Act, remuneration to management has been disclosed together under one category last year, because it would lead to an individual's remuneration disclosed.

6 Depreciation, amortisation and impairment losses

	2020/21	2019/20
	DKK'000	DKK'000
Amortisation of intangible assets	36,720	35,954
Depreciation on property, plant and equipment	13,743	14,427
Profit/loss from sale of intangible assets and property, plant and equipment	135	9
	50,598	50,390

7 Other financial income

	2020/21	2019/20
	DKK'000	DKK'000
Other interest income	63	150
Exchange rate adjustments	2,738	4,305
Other financial income	35	149
	2,836	4,604

8 Other financial expenses

	2020/21 DKK'000	2019/20 DKK'000
Other interest expenses	7,315	7,924
Exchange rate adjustments	3,611	478
Other financial expenses	4,736	1,721
	15,662	10,123

9 Tax on profit/loss for the year

	2020/21 DKK'000	2019/20 DKK'000
Current tax	2,001	3,786
Change in deferred tax	(7,468)	(836)
Adjustment concerning previous years	(16)	0
	(5,483)	2,950

10 Proposed distribution of profit/loss

	2020/21 DKK'000	2019/20 DKK'000
Retained earnings	(23,097)	(9,342)
	(23,097)	(9,342)

11 Intangible assets

	Completed development projects DKK'000	Acquired intangible assets DKK'000	Goodwill DKK'000	Development projects in progress DKK'000
Cost beginning of year	11,666	67,031	345,431	0
Exchange rate adjustments	170	12	0	0
Additions	0	1,013	0	2,884
Disposals	(722)	0	0	0
Cost end of year	11,114	68,056	345,431	2,884
Amortisation and impairment losses beginning of year	1,192	(23,488)	(35,644)	0
Amortisation for the year	(3,823)	(13,588)	(19,309)	0
Reversal regarding disposals	443	0	0	0
Amortisation and impairment losses end of year	(2,188)	(37,076)	(54,953)	0
Carrying amount end of year	8,926	30,980	290,478	2,884

12 Development projects

Completed development projects comprises development etc. of machinery and equipment with the all of the Group's business areas. As of 30 September 2021 the carrying amount of completed development projects

amounts to DKK 8,926k. The amortisation period for completed development projects is set to 5 years.

Development projects under construction include the development of new production facilities for future sale. Development projects relates to optimization and streamlining of previously similarly sold plants.

Management has not identified any indication of impairment regarding the carrying amount of completed development projects and development projects in progress.

Acquired intangible assets comprises cost from development of new ERP-system. A significant part of cost from development of new ERP-system is internal cost in the form of direct wages, materials and services, which is registered in the Company's internal project management module.

Acquired intangible assets also comprises of identified contracts from business combinations.

13 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	2,810	23,169	9,537	36,969	159
Exchange rate adjustments	161	132	65	18	0
Transfers	0	0	0	190	(190)
Additions	0	1,534	1,219	1,178	190
Disposals	0	(5,597)	(309)	0	(159)
Cost end of year	2,971	19,238	10,512	38,355	0
Depreciation and impairment losses beginning of year	(124)	(8,156)	(4,168)	(10,248)	0
Depreciation for the year	(65)	(5,132)	(2,129)	(6,417)	0
Reversal regarding disposals	0	3,568	275	0	0
Depreciation and impairment losses end of year	(189)	(9,720)	(6,022)	(16,665)	0
Carrying amount end of year	2,782	9,518	4,490	21,690	0
Recognised assets not owned by Entity	0	0	132	0	0

14 Financial assets

	Deposits DKK'000
Cost beginning of year	1,468
Exchange rate adjustments	15
Additions	47
Disposals	(25)
Cost end of year	1,505
Carrying amount end of year	1,505

15 Contract work in progress

	2020/21 DKK'000	2019/20 DKK'000
Contract work in progress	953,846	855,417
Progress billings	(968,302)	(867,128)
Transferred to liabilities other than provisions	65,352	84,488
	50,896	72,777

16 Prepayments

Prepayments comprises prepaid expenses such as software license, lease payments, insurance and other prepaid expenses.

17 Deferred tax

	2020/21 DKK'000	2019/20 DKK'000
Intangible assets	7,734	10,542
Property, plant and equipment	(1,283)	417
Inventories	327	320
Receivables	27,242	30,528
Provisions	312	(405)
Liabilities other than provisions	(1,148)	(554)
Tax losses carried forward	(10,955)	(11,151)
Deferred tax	22,229	29,697

	2020/21 DKK'000	2019/20 DKK'000
Changes during the year		
Beginning of year	29,697	30,429
Recognised in the income statement	(7,468)	(836)
Recognised directly in equity	0	205
Other adjustment	0	(101)
End of year	22,229	29,697

18 Other provisions

Other provisions comprise non-recourse guarantee commitments to remedy defects and deficiencies within the guarantee period.

19 Other payables

	2020/21 DKK'000	2019/20 DKK'000
Holiday pay obligation	7,295	7,179
Derivative financial instruments	152	337
Other costs payable	11,275	963
	18,722	8,479

Other payables includes fair value of interest rate swap which amounts to negative DKK 152k. The interest swap has a principal of DKK 100,000k and matures in 3 years. A fixed interest rate of negative 0.1% is paid and variable interest which follow the interest index "DKK-CIBOR2-CiBOR" is received. The interest rate swap meets the conditions for being treated as hedge accounting, why the fair value adjustment is recognised directly to equity.

Other payables includes employee tax loans from the Danish government in relation to COVID-19 which amounts to DKK 10,262k.

20 Non-current liabilities other than provisions

	Due within 12 months 2019/20 DKK'000	Due after more than 12 months 2020/21 DKK'000	Outstanding after 5 years 2020/21 DKK'000
Bank loans	28,366	128,432	0
Lease liabilities	190	46	0
Other payables	0	18,722	6,936
	28,556	147,200	6,936

21 Other payables

	2020/21 DKK'000	2019/20 DKK'000
VAT and duties	6	7,947
Wages and salaries, personal income taxes, social security costs, etc. payable	20,633	27,445
Holiday pay obligation	6,858	5,343
Other costs payable	16,600	2,134
	44,097	42,869

Other payables includes employee tax loans from the Danish government in relation to COVID-19 which amounts to DKK 13,695k.

22 Deferred income

Deferred income compromises pre-received income.

23 Changes in working capital

	2020/21	2019/20
	DKK'000	DKK'000
Increase/decrease in inventories	17,100	(13,743)
Increase/decrease in receivables	(8,392)	16,061
Increase/decrease in trade payables etc.	(13,710)	(28,342)
Other changes	4,277	(1,230)
	(725)	(27,254)

24 Unrecognised rental and lease commitments

	2020/21	2019/20
	DKK'000	DKK'000
Total liabilities under rental or lease agreements until maturity	44,915	56,781

25 Assets charged and collateral

Bank debt is secured by floating charge of DKK 30,000k. The carrying amount is DKK 35,467.

Bank debt up to DKK 75,000k has been secured by guarantee. As of 30 September 2021 the total bank debt from this guarantee amounts to DKK 47,804k.

Bank loans are secured by a fixed and floating charge over the properties at Units 2 and 9 Humberston Business Centre, Jackson Place, Humberston, Grimsby. The secured debt from mortgage amounts to DKK 531k.

A total of DKK 5,500k from performance bonds and payment guarantees is secured for business partners. Performance bonds and payment guarantees is due within 1-5 years.

26 Non-arm's length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

27 Subsidiaries

	Registered in	Corporate form	Ownership %
Carsoe U.S. Inc	USA, Seattle	Inc.	100.0
Holmek Palletering AS	Norway, Frei Kristiansund	AS	100.0
Freezertech Limited	United Kingdom, Humberston	Ltd.	100.0
Carsoe ApS	Denmark, Aalborg	ApS	100.0
Carsoe Holdco A/S	Denmark, Aalborg	A/S	100.0

Parent income statement for 2020/21

	Notes	2020/21 DKK'000	2019/20 DKK'000
Revenue	2	0	2,138
Other external expenses		(875)	(494)
Gross profit/loss		(875)	1,644
Staff costs	3	(1,402)	(3,377)
Operating profit/loss		(2,277)	(1,733)
Income from investments in group enterprises		(21,334)	(7,856)
Other financial income	4	8	0
Other financial expenses	5	(64)	(19)
Profit/loss before tax		(23,667)	(9,608)
Tax on profit/loss for the year	6	570	266
Profit/loss for the year	7	(23,097)	(9,342)

Parent balance sheet at 30.09.2021

Assets

	Notes	2020/21 DKK'000	2019/20 DKK'000
Investments in group enterprises		237,393	257,116
Financial assets	8	237,393	257,116
Fixed assets		237,393	257,116
Deferred tax	9	918	348
Other receivables		11	14
Receivables		929	362
Cash		3,568	5,723
Current assets		4,497	6,085
Assets		241,890	263,201

Equity and liabilities

	Notes	2020/21 DKK'000	2019/20 DKK'000
Contributed capital		28,078	28,043
Retained earnings		212,501	233,672
Equity		240,579	261,715
Other payables		1,014	963
Non-current liabilities other than provisions	10	1,014	963
Trade payables		140	129
Payables to group enterprises		157	394
Current liabilities other than provisions		297	523
Liabilities other than provisions		1,311	1,486
Equity and liabilities		241,890	263,201
Events after the balance sheet date	1		
Contingent liabilities	11		
Assets charged and collateral	12		
Related parties with controlling interest	13		

Parent statement of changes in equity for 2020/21

	Contributed capital DKK'000	Share premium DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	28,043	0	233,672	261,715
Increase of capital	35	315	0	350
Transferred from share premium	0	(315)	315	0
Exchange rate adjustments	0	0	1,551	1,551
Other entries on equity	0	0	60	60
Profit/loss for the year	0	0	(23,097)	(23,097)
Equity end of year	28,078	0	212,501	240,579

Notes to parent financial statements

1 Events after the balance sheet date

Carsoe Group has not insignificant business relations with customers in Russia. In this context, Management is monitoring developments in Ukraine very closely, including developments in the sanctions against Russia that might affect Carsoe's business with these customers. At this point in time, there are no known sanctions that would stop Carsoe's business with these customers – either in terms of payment or delivery. Also, it is difficult right now to predict how the situation will evolve, and Carsoe intends at any time to observe sanctions that the authorities might implement. Should sanctions be implemented in future that would block delivery or payment, this may have a significant impact on Carsoe's strategy.

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

2 Revenue

Revenue segments are not disclosed, cf. ÅRL § 96, paragraph 1.

3 Staff costs

	2020/21 DKK'000	2019/20 DKK'000
Wages and salaries	1,238	3,218
Pension costs	161	156
Other social security costs	3	3
	1,402	3,377
Average number of full-time employees	1	1

	Remuneration of Manage- ment 2020/21 DKK'000	Remuneration of Manage- ment 2019/20 DKK'000
Executive Board	687	0
Board of Directors	715	0
Total amount for management categories	0	3,377
	1,402	3,377

According to section 98B(3) no.2 of the Danish Financial Statement Act, remuneration to management in the comparison year has been disclosed together under one category, because it will lead to an individual's remuneration disclosed.

4 Other financial income

	2020/21 DKK'000	2019/20 DKK'000
Financial income from group enterprises	8	0
	8	0

5 Other financial expenses

	2020/21 DKK'000	2019/20 DKK'000
Financial expenses from group enterprises	5	12
Other interest expenses	59	7
	64	19

6 Tax on profit/loss for the year

	2020/21 DKK'000	2019/20 DKK'000
Change in deferred tax	(570)	(266)
	(570)	(266)

7 Proposed distribution of profit and loss

	2020/21 DKK'000	2019/20 DKK'000
Retained earnings	(23,097)	(9,342)
	(23,097)	(9,342)

8 Financial assets

	Investments in group enterprises DKK'000
Cost beginning of year	274,054
Cost end of year	274,054
Revaluations beginning of year	(16,938)
Exchange rate adjustments	1,551
Share of profit/loss for the year	(21,334)
Other adjustments	60
Revaluations end of year	(36,661)
Carrying amount end of year	237,393

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

9 Deferred tax

Changes during the year	2020/21 DKK'000	2019/20 DKK'000
Beginning of year	348	82
Recognised in the income statement	570	266
End of year	918	348

Deferred tax assets consists of tax losses carried forward which is estimated to be offset against future taxable income in the Danish joint taxation.

10 Non-current liabilities other than provisions

	Due after more than 12 months 2020/21 DKK'000
Other payables	1,014
	1,014

11 Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities, and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

12 Assets charged and collateral

Bank loans are secured by way of a mortgage in investments in group enterprises. The carrying amount of mortgage investments in group enterprises amounts to DKK 237,393k.

13 Related parties with controlling interest

Related parties with controlling interest consists of Plemont Co-Investment No. 1 SLP, Jersey.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements

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

Basis of consolidation

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

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' pro rata shares of the profit/loss and the net assets are disclosed as separate items in Management's proposal for the distribution of net profit/loss and equity, respectively.

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

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in the translation reserve in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are recognised directly in the translation reserve in equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement

Revenue

Entered contracts which is consisting of several separate contracts is divided into individual contracts according to the relative fair value method. Each individual contract is recognised in revenue when the criterias of recognising sales of goods, services and contracts are fulfilled.

A contract is divided into single transactions when it is possible to estimate the fair value of the single transaction with high certainty and each transaction has separate value for the customer. Transactions are assessed to have separate value for the customer when it is possible to identify the transaction and is normally sold on an individual basis.

Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Revenue from sale of goods

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer, it is possible to estimate and payment is expected.

Assessment of delivery and risk is assessed in accordance with Incoterms. In situations where goods sold is delivered on an ongoing basis and is integrated with the customers property the revenue is recognised in the income statement concurrently with delivery by which the revenue equals the fair value of the work performed

Revenue from work in progress

Contracts where the delivery of plants with high individual adjustments is recognised in revenue concurrently with the production by which the revenue equals the fair value of the work performed (the percentage-of-completion method). If the result of a contract cannot be assessed with high certainty, the contract will only be recognised at cost in the extent that cost will be covered.

Revenue from services

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

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise wages and salaries, and social security contributions, pension contributions, etc. for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

Other financial income comprises, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

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

The Parent is jointly taxed with all of its Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet**Goodwill**

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 10 – 20 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc.

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights and acquired intellectual property rights such as software licenses.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity in the reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation on property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 5 years. For development projects protected by intellectual property rights,

the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 5 years.

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

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

Property, plant and equipment

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

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-constructed assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	50 years
Plant and machinery	3-7 years
Other fixtures and fittings, tools and equipment	3-7 years
Leasehold improvements	5-10 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured in the parent financial statements according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses. Reference is made to the above section on business combinations for more details about the accounting policies applied to acquisitions of investments in group enterprises.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to the reserve for net revaluation according to the equity method in equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Inventories

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

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

Receivables

Receivables are measured at amortised cost, usually equalling nominal value, less writedowns for bad and doubtful debts.

Contract work in progress

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

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

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

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

Costs of sales work and of securing contracts, and finance costs are recognised in the income statement as incurred.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Tax payable or receivable

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

Prepayments

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

Cash

Cash comprises bank deposits.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

Lease liabilities

Lease liabilities relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease liabilities are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Other financial liabilities

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

Prepayments received from customers

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

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

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

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

expenses and income tax paid.

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

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, repayments of interest-bearing debt, including lease liabilities, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash.