
DS Flexhal A/S

Samsøvej 2, DK-9500 Hobro

Annual Report for 1 July 2021 - 30 June 2022

CVR No 41 41 69 98

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
29/11 2022

Ole Kjærsgaard
Chairman of the General
Meeting



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Management's Statement

The Executive and Supervisory Boards have today considered and adopted the Annual Report of DS Flexhal A/S for the financial year 1 July 2021 - 30 June 2022.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 30 June 2022 of the Company and of the results of the Company operations for 2021/22.

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

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

Hobro, 29 November 2022

Executive Board

Kent Hejn Kristensen
CEO

Supervisory Board

Dr. Benedikt Benjamin Krings
Chairman

Florian Laxander

Hans Jörg Frieauff

Independent Auditor's Report

To the Shareholder of DS Flexhal A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 June 2022 and of the results of the Company's operations for the financial year 1 July 2021 - 30 June 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of DS Flexhal A/S for the financial year 1 July 2021 - 30 June 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

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

Independent Auditor's Report

Management's responsibilities for the Financial Statements

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

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Aarhus, 29 November 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Jens Weiersøe Jakobsen
State Authorised Public Accountant
mne30152

Thyge Belter
State Authorised Public Accountant
mne30222

Company Information

The Company

DS Flexhal A/S
Samsøvej 2
DK-9500 Hobro

CVR No: 41 41 69 98
Financial period: 1 July - 30 June
Incorporated: 3 June 2020
Financial year: 3rd financial year
Municipality of reg. office: Mariagerfjord

Supervisory Board

Dr. Benedikt Benjamin Krings, Chairman
Florian Laxander
Hans Jörg Frieauff

Executive Board

Kent Hejn Kristensen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Nobelparken
Jens Chr. Skous Vej 1
DK-8000 Aarhus C

Financial Highlights

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

	2021/22 TDKK	2020/21 TDKK
Key figures		
Profit/loss		
Revenue	1.227.228	1.059.795
Operating profit/loss	109.918	87.190
Profit/loss before financial income and expenses	112.182	87.190
Net financials	-6.070	40.626
Net profit/loss for the year	82.461	108.863
Balance sheet		
Balance sheet total	551.714	508.336
Equity	250.906	168.863
Investment in property, plant and equipment	1.600	289
Number of employees	55	47
Ratios		
Gross margin	13,7%	12,8%
Profit margin	9,1%	8,2%
Return on assets	20,3%	17,2%
Solvency ratio	45,5%	33,2%
Return on equity	39,3%	64,4%

Management's Review

Key activities

The Company's activities consist of the development, design and construction of commercial buildings as turnkey contracts.

Development in the year

The income statement of the Company for 2021/22 shows a profit of TDKK 82,461, and at 30 June 2022 the balance sheet of the Company shows equity of TDKK 250,906.

Management considers the results for the year satisfactory.

Outlook

After several years of steadily increasing demand for commercial construction, it seems that the current high rate of inflation and the increasing interest rate level will reduce the willingness to invest.

Nevertheless, we are confident that our competencies and heavy specialisation within our primary segment, combined with a solid order backlog as of 30 June 2022, implies that we will achieve an unchanged level of activity in the coming year. Due to the more difficult market conditions, however, we expect to realise a lower profit margin in the coming financial period compared to the financial year 2021/22.

Uncertainty relating to recognition and measurement

Recognition and measurement have not been subject to any material uncertainty beyond the usual uncertainties related to the construction industry. Likewise, we identified no unusual circumstances that could have affected recognition and measurement significantly.

Assessment of financial risks

Commodity prices

Building material prices saw historically large fluctuations in 2022. As the majority of construction projects are concluded as fixed-price contracts, the risk exposure to price increases in construction materials is significant. The risk is attempted hedged in the contract phases with developers and subcontractors by having the prices locked in, to the extent possible, immediately after conclusion of the contract with the developer, or by agreeing on indexing of the parts of the developer contract which reflect the identified price risks.

Management's Review

Currency risks

The Company's transactions with customers and suppliers in other countries are limited. Should a significant currency risk be identified, foreign exchange contracts or similar agreements are concluded to hedge fluctuations in the underlying exchange rate.

Credit risks

The Company's credit risks are primarily related to its customers' ability to pay. To mitigate such risk, credit ratings are prepared for new customers and guarantees are obtained on usual terms for the construction industry.

Interest rate risks

As a result of the Company's positive cash flow, changes in the interest rate level will have no impact on earnings.

Intellectual capital resources

To maintain our strong position in the market, it is crucial that we are able to retain and develop current employees and attract new talented employees with the right skills.

Statement of corporate social responsibility

The Company is included in the consolidated financial statements of DS Gruppen A/S, CVR no 40 68 50 14, which prepares a corporate social responsibility report in accordance with section 99a of the Danish Financial Statements Act.

Statement on gender composition

Currently, the Company's Supervisory Board consists of three men. The Company's target is that, by 2025, at least one member of the Supervisory Board will be from the underrepresented gender, implying that by then, the Board will consist of two men and one woman, or, alternatively, three men and one woman if the target is most appropriately achieved by expanding the Supervisory Board.

It is the overall ambition of the Company to increase the representation of the underrepresented gender at the Company's other management levels.

Against this background, it is during recruitment emphasised that candidates of both genders are invited to apply, and that both genders are treated equally when they are assessed. Similarly, employees of the underrepresented gender are offered courses and further education on the same terms as employees of the overrepresented gender. Through competence development, employees showing the right potential, regardless of gender, will be considered for management positions in the Company.

Management's Review

The gender composition of the Company's other management levels is generally challenged by the industry trend of men making up a large proportion of the workforce. In Management's assessment, the current staff reflects the industry's distribution between men and women, but a targeted effort by the Company would increase the number of women in the other management levels.

The Company has not achieved its targets for the financial year 2021/22. In the financial year, DS Flexhal A/S changed owners. In that connection it has been essential to ensure management stability and in connection with the establishment of a new supervisory board. Against this background, the gender composition of the supreme governing body has been less of a focal point during the period.

Statement of data ethics

The Company is included in the consolidated financial statements of DS Gruppen A/S, CVR no 40 68 50 14, which prepares a statement of data ethics in accordance with section 99d of the Danish Financial Statements Act.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 July - 30 June

	Note	2021/22 TDKK	2020/21 TDKK
Revenue	1	1.227.228	1.059.795
Other operating income		2.264	0
Expenses for raw materials and consumables		-1.046.207	-910.898
Other external expenses		-15.620	-13.522
Gross profit/loss		167.665	135.375
Staff expenses	2	-55.182	-48.055
Depreciation and impairment of property, plant and equipment		-301	-130
Profit/loss before financial income and expenses		112.182	87.190
Income from investments in associates	3	-1.365	41.668
Financial income	4	448	869
Financial expenses		-5.153	-1.911
Profit/loss before tax		106.112	127.816
Tax on profit/loss for the year	5	-23.651	-18.953
Net profit/loss for the year		82.461	108.863

Balance Sheet 30 June

Assets

	Note	2021/22 TDKK	2020/21 TDKK
Other fixtures and fittings, tools and equipment		1.460	160
Property, plant and equipment	6	1.460	160
Investments in associates	7	1.260	39.825
Fixed asset investments		1.260	39.825
Fixed assets		2.720	39.985
Trade receivables		141.074	267.982
Contract work in progress	8	8.588	42.954
Receivables from group enterprises		58.600	3.750
Other receivables		5.029	79
Prepayments	9	515	325
Receivables		213.806	315.090
Cash at bank and in hand		335.188	153.261
Currents assets		548.994	468.351
Assets		551.714	508.336

Balance Sheet 30 June

Liabilities and equity

	Note	2021/22 TDKK	2020/21 TDKK
Share capital		6.250	6.250
Reserve for net revaluation under the equity method		0	34.280
Retained earnings		244.656	128.333
Equity		250.906	168.863
Provision for deferred tax	11	6.068	22.013
Other provisions	12	11.530	9.322
Provisions		17.598	31.335
Trade payables		107.707	151.141
Contract work in progress	8	118.116	118.448
Payables to group enterprises		7.905	18.977
Corporation tax		39.596	4.769
Other payables		9.886	14.803
Short-term debt		283.210	308.138
Debt		283.210	308.138
Liabilities and equity		551.714	508.336
Distribution of profit	10		
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Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 July	6.250	34.280	128.333	168.863
Exchange adjustments	0	0	-418	-418
Net profit/loss for the year	0	-34.280	116.741	82.461
Equity at 30 June	6.250	0	244.656	250.906

Notes to the Financial Statements

	2021/22 TDKK	2020/21 TDKK
1 Revenue		
Geographical segments		
Revenue, Denmark	1.217.938	1.020.508
Revenue, exports	9.290	39.287
	1.227.228	1.059.795
2 Staff expenses		
Wages and salaries	50.086	44.013
Pensions	1.731	1.350
Other social security expenses	124	107
Other staff expenses	3.241	2.585
	55.182	48.055
Average number of employees	55	47
Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.		
3 Income from investments in associates		
Share of profits of associates	0	33.887
Share of losses of associates	-1.365	0
Gain on sale of associates	0	7.781
	-1.365	41.668
4 Financial income		
Interest received from group enterprises	194	284
Exchange adjustments	254	585
	448	869

Notes to the Financial Statements

	2021/22 TDKK	2020/21 TDKK
5 Tax on profit/loss for the year		
Current tax for the year	39.596	4.769
Deferred tax for the year	-15.945	14.184
	23.651	18.953
6 Property, plant and equipment		
		Other fixtures and fittings, tools and equipment TDKK
Cost at 1 July		290
Additions for the year		1.600
Cost at 30 June		1.890
Impairment losses and depreciation at 1 July		130
Depreciation for the year		300
Impairment losses and depreciation at 30 June		430
Carrying amount at 30 June		1.460
Depreciated over		3-8 years
Including assets under finance leases amounting to		1.380

Notes to the Financial Statements

	2021/22 TDKK	2020/21 TDKK
7 Investments in associates		
Cost at 1 July	5.544	0
Additions for the year	0	7.279
Disposals for the year	0	-1.735
Cost at 30 June	5.544	5.544
Value adjustments at 1 July	34.281	0
Exchange adjustment	-418	394
Net profit/loss for the year	-1.366	33.887
Dividends	-36.781	0
Value adjustments at 30 June	-4.284	34.281
Carrying amount at 30 June	1.260	39.825

Investments in associates are specified as follows:

Name	Place of registered office	Votes and ownership
Køge Logistics Center AS, Norge	Norge	25%

8 Contract work in progress

Selling price of work in progress	1.434.831	847.289
Payments received on account	-1.544.359	-922.783
	-109.528	-75.494

Recognised in the balance sheet as follows:

Contract work in progress recognised in assets	8.588	42.954
Contract work in progress received recognised in debt	-118.116	-118.448
	-109.528	-75.494

9 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums and subscriptions.

Notes to the Financial Statements

	2021/22 TDKK	2020/21 TDKK
10 Distribution of profit		
Extraordinary dividend paid	0	67.198
Reserve for net revaluation under the equity method	-34.280	34.280
Retained earnings	116.741	7.385
	82.461	108.863
11 Provision for deferred tax		
Provision for deferred tax at 1 July	22.013	7.829
Amounts recognised in the income statement for the year	-15.945	14.184
Provision for deferred tax at 30 June	6.068	22.013
12 Other provisions		
Other provisions includes warranty provisions related to completed contracts.		
Other provisions	11.530	9.322
	11.530	9.322

Notes to the Financial Statements

	2021/22	2020/21
	TDKK	TDKK

13 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with Tryg Garanti:
Cash in bank account with balance mDKK 50

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	1.647	500
Between 1 and 5 years	374	1.000
	2.021	1.500

The company has entered into leasing contracts with associated companies with a remaining term of 6-12 months and a total obligation of a total of TDKK 1.112.

Guarantee obligations

There are the normal warranty obligations for the industry. Complaint costs are recognized in the income statement on an ongoing basis. The company has provided guarantees for a total of TDKK 668.606 (2020/21: TDKK 321.965).

Other contingent liabilities

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

Notes to the Financial Statements

14 Related parties

	<u>Basis</u>
Controlling interest	
DS Gruppen A/S, Mariagerfjord	Direct parent company
Ortwin Goldbeck Holding SE	Ultimate parent

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Consolidated Financial Statements

The entity is included in the consolidated Financial Statements of:

<u>Name</u>	<u>Place of registered office</u>
DS Gruppen A/S	Mariagerfjord

Notes to the Financial Statements

15 Accounting Policies

The Annual Report of DS Flexhal A/S for 2021/22 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2021/22 are presented in TDKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of DS Gruppen A/S, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of DS Gruppen A/S, the Company has not prepared a cash flow statement.

Fee to auditors appointed at the general meeting

With reference to section 96(3) of the Danish Financial Statements Act and to the disclosure on fee to auditors appointed at the general meeting in the consolidated financial statements of DS Gruppen A/S, the Company has not included a disclosure on fee to auditors appointed at the general meeting.

Recognition and measurement

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

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

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

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

Notes to the Financial Statements

15 Accounting Policies (continued)

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

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

Translation policies

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

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

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

Revenue

Information on business segments and geographical segments based on the Company's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Notes to the Financial Statements

15 Accounting Policies (continued)

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

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

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

Expenses for raw materials and consumables

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

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

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

Notes to the Financial Statements

15 Accounting Policies (continued)

Income from investments in associates

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

Financial income and expenses

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

Tax on profit/loss for the year

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

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Property, plant and equipment

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

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

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction.

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

Other fixtures and fittings, tools and equipment	3-8	years
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Impairment of fixed assets

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

Notes to the Financial Statements

15 Accounting Policies (continued)

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

Investments in associates

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

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

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

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

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company’s experience from previous years.

Contract work in progress

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

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

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

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

Notes to the Financial Statements

15 Accounting Policies (continued)

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Dividend

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

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of 1-5 years. Provisions are measured and recognised based on experience with guarantee work.

Deferred tax assets and liabilities

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

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

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

Current tax receivables and liabilities

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

Financial debts

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

Notes to the Financial Statements

15 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$