DANBOR

DANBOR A/S

Kanalen 1, 6700 Esbjerg
CVR no. 49 67 77 15

Annual report
2015

Approved at the Company's annual general meeting
on 25 / 5 2016

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Jan Thim

Contents

Company information

Company	DANBOR A/S Kanalen 1 DK-6700 Esbjerg	
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	CVR no.:	49 67 77 15
	Registered office:	Esbjerg
Board of Directors	John Stangeland (Chairman) Steinar Modalslid-Meling Knut Magne Johannessen Søren Friis Knudsen	
Executive Board / CEO	Jørn Bue Madsen	
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Havnegade 33 DK-6700 Esbjerg	

Financial highlights

	2015 DKK mill.	2014 DKK mill.	2013 DKK mill.	2012 DKK mill.	2011 DKK mill.
Income statement:					
Revenue	365.0	400.7	501.4	543.7	556.7
Profit before financial income and expenses	13,6	49.3	39.9	53.7	62.1
Financial income and expenses, net	-0,3	0.6	-1.3	0.6	3.4
Ordinary profit after tax	9,2	37.9	27.7	34.5	47.7
Profit for the year	9,2	37.9	27.7	34.5	47.7
Balance sheet:					
Total assets	328,3	262.1	309.1	285.9	258.2
Investment in property, plant and equipment	25,7	37.7	17.7	46.3	34.7
Equity	135,4	141.1	237.4	211.7	171.4
Employees:					
Average number of employees	376	342	458	477	517
Key figures:					
EBIT-margin	3,7%	12,3%	7.9%	9.9%	11.2%
EBT-margin	3,5%	12,3%	7.7%	10.0%	11.8%
Return on invested capital (ROIC)	6,0%	24,3%	17.3%	25.4	35.5%
Assets/Equity	2,4	1,9	1.3	1.4	1.5
Return on equity (ROE)	6,7%	20,0%	12.3%	20.8%	32.4%

The financial ratios have been calculated as follows:

EBIT-margin $\dfrac{\text{Gross profit/loss x 100}}{\text{Revenue}}$

EBT-margin $\dfrac{\text{Operating profit/loss x 100}}{\text{Revenue}}$

Return on invested capital (ROIC) $\dfrac{\text{Gross profit/loss x 100}}{\text{Average invested capital}}$

Assets/Equity $\dfrac{\text{Total assets}}{\text{Equity}}$

Return on equity (ROE) $\dfrac{\text{Profit/loss from ordinary activities after tax x 100}}{\text{Average equity}}$

Management's review

Operating activities

The principal activities in the DANBOR GROUP and DANBOR A/S are to act as a supply base for the offshore oil and gas industry and as onshore supply base in connection with stevedoring, the wind turbine industry, agency, transportation and logistics, catering, iron and steel production, surface treatment, repair and maintenance, sale and service of equipment as well as lease of equipment, offices and inventories.

As a part of a growth strategy, the DANBOR GROUP decided to step into the Wind Power market and acquired Øer A/S and its subsidiaries as per October 2nd 2015.

The shares in ARCTIC BASE SUPPLY A/S were sold as per October 2nd 2015.

Development in activities and financial matters

The GROUP reported revenue of DKK 365 million against DKK 401 million last year. Profit after tax amounted to DKK 9.2 million against DKK 37.9 million the year before. The profit was affected by the general decline in the Oil & Gas market and pressure on sales prices consequently. Further the profit was affected by organizational changes. The above-mentioned items have affected profit after tax by approx. DKK 16 million. Consequently the profit for 2015 are below the expectations mentioned last year.

Taken as a whole, the year was characterised by an activity level a little below last year. Due to acquisitions made in 2015 and the current growth strategy, the activities for 2016 are expected to be on a higher level.

Investments

Investments during the year comprised the construction of a new Pipe Yard and inspection hall, replacement of technical facilities, other equipment and cars as well as upgrading of buildings and land. The level of investments for the year is considered low.

Safety and environmental issues

In line with previous years, activities for the year were carried out highly focusing on safety. The Company's 12 months accident frequency (LTIF) represented 0,31 at year end, which was below the offshore industry's accident frequency taken as a whole (basis for the calculation is the number of incidents x exposure hours / 200,000 exposure hours).

The Company has adopted and participates in the NORSEA GROUP's mutual efforts of documenting and complying with good corporate social responsibility. The report is available at http://danbor.com/News-Media/Publications

Particular risks

General risks

The GROUP's activities in connection with the offshore oil and gas industry are sensitive towards changes in the oil companies' activity levels.

Financial risks

Currency risks

Activities abroad imply that profit/loss, cash flows and equity are affected by the foreign exchange and interest rate development relating to a number of currencies.

Credit risks

These risks primarily relate to customers and credit institutions. The group hedges anticipated interest risks on mortgage loans with SWAP-agreements. Customers are credit rated on a regular basis and mortgage liabilities are based on a floating rate of interest.

Corporate social responsibility

Danbor Group has adopted and participates in the Group's mutual efforts of documenting and complying with good corporate social responsibility. Latest report is available at http://danbor.com/News-Media/Publications.

Referring to the above, Danbor Group has guidelines related to CSR, but no formal policy for human rights and climate impact and Danbor Group has chosen not to prepare a separate statement.

Targets and procedures for female representation in executive positions

Danbor Group aims at promoting diversity and gender equality which means that no employees may be discriminated due to gender or other circumstances. A gender balance is in the interest of Danbor, as we believe that both genders represent the diversity and values that Danbor stands for.

There are currently four men and no women on the board.The Board of Directors has set a target of 20 % female board members to be reached within 4 years. The target is not yet achieved.

A policy for other executive positions has been prepared and based on the number of employees, the underrepresented gender amounts to approx. 19 %.

The company strives to create a good and versatile workplace that promotes women's and men's career opportunities including competency development. For appointments to management positions at least one female should be among the final candidates, if at all possible.

Events after the balance sheet date

Management is of the opinion that from the balance sheet date until today, no events have occurred which could alter the assessment of the annual report substantially.

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Danbor A/S for the financial year 1 January - 31 December 2015.

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

It is our opinion that the consolidated financial statements and Parent company financial statements give a true and fair view of the Group's and the Parent company's financial position at 31 December 2015, and of the results of the Group's and the Parent company's operations and the consolidated cashflows for the financial year 1 January – 31 December 2015.

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

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

Esbjerg, 28 April 2016

CEO

Jørn Bue Madsen

Board of Directors

John Stangeland
Chairman

Steinar Modalslid-Meling

Knut Magne Johannessen

Søren Friis Knudsen

Independent auditors' report

To the shareholders of Danbor A/S

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

We have audited the consolidated financial statements and the Parent company financial statements of Danbor A/S for the financial year 1 January - 31 December 2015, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the Parent company and consolidated cashflow statement. The consolidated financial statements and the Parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

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

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the Parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the Parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of consolidated financial statements and Parent company financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the Parent company financial statements.

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, the consolidated financial statements and the Parent company financial statements give a true and fair view of the Group's and the Parent company's financial position at 31 December 2015 and of the results of the Group's and the Parent company's operations and consolidated cashflows for the financial 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

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

Esbjerg, 28 April 2016

Ernst & Young
Godkendt Revisionspartnerselskab
CVR no.: 30 70 02 28

John Lesbo State Authorised Public Accountant	Søren Jensen State Authorised Public Accountant

Income statement 1 January – 31 December

		Consolidated		Parent company	
Note	**DKK'000**	2015	2014	2015	2014
2	**Revenue**	364.998	400.682	358.838	400.682
6	Other operating income	23	20.720	23	20.720
	Costs of raw materials and supplies	-42.488	-41.817	-43.019	-41.817
3	Other external costs	-96.750	-119.785	-94.638	-119.649
	Gross profit	**225.783**	**259.800**	**221.204**	**259.936**
4	Staff costs	-199.057	-200.242	-189.334	-200.164
5	Depreciation and amortization	-13.152	-10.278	-11.315	-10.278
	Profit before financial income and expenses	**13.574**	**49.280**	**20.555**	**49.494**
	Share of profit in subsidiaries after tax	0	0	-5.883	-172
	Gain from shares in associate company	-352	-377	2.900	0
	Gain on shares sold in subsidiaries	0	0	0	14.690
7	Financial income	358	768	357	766
8	Financial expenses	-632	-210	-592	-210
	Profit before tax for the year	**12.948**	**49.461**	**17.337**	**64.568**
9	Tax on profit for the year	-3.749	-11.545	-4.883	-11.585
	Profit for the year	**9.199**	**37.916**	**12.454**	**52.983**
	Share of result for minority interests	3	2	0	0
	DANBOR GROUP RESULT	**9.202**	**37.918**	**12.454**	**52.983**
	Proposed profit appropriation				
	Proposed dividends	10.000	15.000	10.000	15.000
	Retained earnings	2.454	23.295	2.454	37.983
	Reserve for net revaluation under the equity method	-3.252	-377	0	0
		9.202	**37.918**	**12.454**	**52.983**

Balance sheet at 31 December

Note	DKK'000	Consolidated 2015	Consolidated 2014	Parent company 2015	Parent company 2014
	ASSETS				
	Non-current assets				
10	**Intangible assets**				
	Goodwill	72.893	1.225	937	1.225
		72.893	1.225	937	1.225
11	**Property, plant and equipment**				
	Land and buildings	60.745	30.405	60.745	30.405
	Plant and machinery	28.064	29.478	28.064	29.478
	Other fixtures and equipment	2.214	389	2.061	389
	Property, plant and equipment under construction	14.292	31.050	14.292	31.050
		105.315	91.322	105.162	91.322
	Investments				
12	Investments in subsidiaries	0	0	77.583	1.653
13	Investments in associates	0	3.502	0	250
		0	3.502	77.583	1.903
	Total non-current assets	178.208	96.049	183.682	94.450
	Current assets				
	Inventories				
	Raw materials	2.124	1.635	2.124	1.635
	Finished goods	2.850	2.014	2.850	2.014
		4.974	3.649	4.974	3.649
	Receivables				
	Trade receivables	74.320	69.590	72.346	69.590
14	Work in progress	3.979	8.942	3.801	8.942
	Receivables from group companies	50.526	78.273	51.213	78.590
15	Deferred tax asset	1.660	1.524	1.324	1.484
	Other receivables	1.507	640	592	514
	Corporation tax	588	0	588	0
	Prepayments	2.836	1.302	1.716	1.279
		135.416	160.271	131.580	160.399
	Cash at bank and in hand	9.697	2.080	700	237
	Securities and investments	8	11	8	11
	Total current assets	150.095	166.011	137.262	164.296
	TOTAL ASSETS	328.303	262.060	320.944	258.746

Balance sheet at 31 December

Note	DKK'000	Consolidated 2015	Consolidated 2014	Parent company 2015	Parent company 2014
	EQUITY AND LIABILITIES				
	Equity				
	Share capital	15.000	15.000	15.000	15.000
	Reserve for net revaluation under the equity method	0	3.252	0	0
	Retained earnings	110.441	107.888	110.441	107.888
	Proposed dividends	10.000	15.000	10.000	15.000
	Total equity	135.441	141.140	135.441	137.888
	Minority interests				
	Minority shares in subsidiary	17	20	0	0
		17	**20**	**0**	**0**
16	**Non-current liabilities**				
	Mortgage credit institutions	79.640	48.286	79.640	48.286
	Finance lease obligations	3.843	1.035	3.843	1.035
	Other long term debt	36.500	0	36.500	0
		119.983	49.321	119.983	49.321
	Current liabilities				
16	Current portion of non-current liabilities	5.338	2.778	5.338	2.778
	Bank debt	27	0	0	0
	Trade payables	14.073	35.624	13.462	35.607
	Corporation tax	770	4.724	0	4.724
	Other payables	50.147	26.936	44.213	26.911
	Accruals	2.507	1.517	2.507	1.517
		72.862	71.579	65.520	71.537
	Total liabilities other than provisions	192.845	120.900	185.503	120.858
	TOTAL EQUITY AND LIABILITIES	328.303	262.060	320.944	258.746

1 **Accounting policies**
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Cash flow statement

DKK'000	2015	2014
Profit before tax	12.948	49.461
Amortisation and depreciation	13.152	10.278
Deferred tax adjustments	136	1.434
Corporation tax paid	-8.563	-12.889
Profit from sale of non-currents assets	352	-20.720
Adjustments on financial instruments and other adjustments	-71	866
Cash generated from operations before changes in working capital	**17.954**	**28.430**
Changes in inventories	-1.325	1.613
Changes in receivables	25.579	26.581
Changes in trade payables and other payables	2.653	1.979
Cashflow from operating activities	**44.861**	**58.603**
Investments in intangible assets	-73.801	0
Investments in property, plant and equipment	-25.667	-2.009
Disposal of tangible assets	825	21.097
Securities and investments	3	-11
Sale of investments in associated companies	3.150	0
Cashflow from investing activities	**-95.490**	**19.077**
Proceeds from mortgage loans	39.455	52.099
Proceeds from other long-loans	36.500	0
Repayment of long-term debts	-2.733	0
Minority interests	-3	2
Dividend paid	-15.000	-135.028
Cashflow from financing activities	**58.219**	**-82.927**
Cashflow from operating, investing, and financing activities	**7.590**	**-5.247**
Cash and cash equivalents at beginning of year	2.080	7.327
Cash and cash equivalents at year-end	**9.670**	**2.080**
Breakdown of cash and cash equivalents		
Cash	9.697	2.080
Bank debt	-27	0
Cash and cash equivalents at year-end	**9.670**	**2.080**

Equity statement

Parent company	Share capital	Retained earnings	Pro-posed dividend	Total
Equity at 1 January 2015	15.000	107.888	15.000	137.888
Dividends paid in 2015	0	0	-15.000	-15.000
Reserve for the net revaluation under the equity method	0	0	0	0
Value adjustment financial instruments	0	99	0	99
Profit for the year	0	2.454	10.000	12.454
Equity at 31 December 2015	**15.000**	**110.441**	**10.000**	**135.441**

Consolidated	Share capital	Reserve for net revaluati on under the equity method	Retained earnings	Pro-posed dividend	Total
Equity at 1 January 2015	15.000	3.252	107.888	15.000	141.140
Dividends paid in 2015	0	0	0	-15.000	-15.000
Results for the year	0	-3.252	2.454	10.000	9.202
Value adjustment financial instr.	0	0	99	0	99
Equity at 31 December 2015	**15.000**	**0**	**110.441**	**10.000**	**135.441**

The share capital consists of two shares with nominal values of DKK 3,000 thousand and of two shares with nominal values of DKK 4,500 thousand, respectively. No changes in share capital during the last 5 years.

Notes

1 Accounting policies

The consolidated financial statements and the Parent company financial statements of Danbor A/S for 2015 have been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

Referring to section 96 of the Danish Financial Statements Act, the Company has not disclosed segment information for competitive reasons.

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

Consolidated financial statements

The consolidated financial statements comprise the Parent company, Danbor A/S, and subsidiaries in which Danbor A/S directly or indirectly holds more than 50 % of the voting rights or which it, in some other way, controls.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realized and unrealized gains and losses on intra-group transactions are eliminated.

Recognition and measurement

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

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and the value of such liabilities can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned. Moreover, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment losses and provisions as well as reversals as a result of changes in accounting estimates of amounts that were previously recognised in the income statement.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

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

Foreign subsidiaries are considered separate entities. The income statements are translated at the average exchange rates for the month in question, and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on the translation of the opening equity of foreign subsidiaries at the exchange rates at the balance sheet date and on the translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of balances with independent foreign subsidiaries that are considered part of the total investment in the subsidiary are recognised directly in equity. Foreign exchange gains and losses on loans and derivative financial instruments designated as currency hedges of foreign subsidiaries are also recognised directly in equity.

Derivative financial instruments

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

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised in other receivables or other payables and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects profit or loss.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement on a regular basis.

Income statement

Revenue

Revenue is measured at the fair value of the agreed consideration ex. VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Work in progress concerning customised production is recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (the percentage of completion method).

Other external costs

Other external costs comprise costs of sale, distribution, administration as well as purchases of services for resale.

Other operating income

Other operating income comprises items secondary to the activities of the Company, including gains on the disposal of intangible assets and property, plant and equipment.

Other operating costs

Other operating costs comprise items secondary to the activities of the Company, including losses on the disposal of intangible assets and property, plant and equipment.

Profits/losses from investments in subsidiaries

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

Financial income and expenses

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

Tax on profit/loss for the year

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity. The tax expense recognised in the income statement relating to the extraordinary profit/loss for the year is allocated to this item whereas the remaining tax expense is allocated to the profit/loss for the year from ordinary activities.

Balance sheet

Intangible assets

On initial recognition, intangible assets are measured at cost.

Goodwill is measured at cost less accumulated amortisation and impairment losses. Goodwill is amortised on a straight-line basis over 10 years for strategic acquisitions with a long-term earnings profile.

Property, plant and equipment

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

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

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives are as follows:

Buildings	3 - 15 years
Plant and machinery	3 - 10 years
Fixtures and fittings, tools and equipment	3 - 5 years

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

Leases

Leases for non-current assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are initially recognised in the balance sheet at cost, corresponding to the lower of fair value and the net present value of future lease payments. In calculating the net present value of the future lease payments, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Company's other non-current assets.

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

All other leases are treated as operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed in contingencies, etc.

Securities and investments

Securities and investments recognised under non-current assets comprise listed bonds measured at fair value.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured at equity value. Where cost exceeds the recoverable amount, investments are written down to this lower value.

Impairment of non-current assets

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

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

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the expected net income from the use of the asset or the group of assets and expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

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

Raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

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

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.

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

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's credit risk management policy. The objective indicators used in relation to portfolios are determined based on historical loss experience.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Work in progress

Work in progress is measured at the selling price of the work performed less any payments received on account of the customer and expected losses.

The selling price is measured by reference to the stage of completion at the balance sheet date and total expected income from the contract. The stage of completion is determined on the basis of an estimate of the work, usually calculated as the ratio between the costs incurred and total estimated costs of the order or hours worked and the total estimated hours worked for that order.

Net assets are determined as the sum of orders where the selling price of the work performed exceeds progress billings. Net liabilities are determined as the sum of orders where progress billings exceed the selling price.

Prepayments from customers are recognised as liabilities.

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

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity – dividends

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

Corporation tax and deferred tax

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

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where different tax rules can be applied to determine the tax base, deferred tax is measured based on Management's planned use of the asset or settlement of the liability, respectively.

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

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

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

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Financial liabilities also include the capitalised residual obligation on finance leases.

Other liabilities are measured at net realisable value.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are subject to an insignificant risk of changes in value.

Cash flow statement

The cash flow statement, which is presented according to the indirect method, shows the Group's cash flows from operating, investing and financing activities for the year and the cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises, activities and investments as well as the acquisition, development, optimisation and disposal, etc. of intangible assets and property, plant and equipment, including the acquisition of assets held under finance leases.

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

Cash and cash equivalents comprise securities, cash less short-term bank loans.

Notes

DKK'000	Consolidated 2015	Consolidated 2014	Parent company 2015	Parent company 2014
2 - Segment information				
Revenue	371.788	396.374	364.004	396.374
Change in work of progress	-6.790	4.308	-5.166	4.308
	364.998	400.682	358.838	400.682

Information on the distribution of revenue on segments is omitted in the financial statements. It is our opinion that the information may cause substantial competitive harm to the Company, given only a few competitors.

3 - Fees to auditors appointed at the annual general meeting				
Audit services	220	210	180	220
Non-audit services	65	65	50	65
	285	275	230	285
4 - Staff costs				
Wages and salaries	182.857	184.754	174.087	184.676
Pensions	15.215	14.459	14.390	14.459
Other social costs	985	1.029	857	1.029
	199.057	200.242	189.334	200.164
Average number of employees	376	342	321	342

Remuneration for the Board of Directors and the Executive Board amounts to DKK 1.796 thousand (2014: DKK 7,375 thousand).

5 – Depreciation and amortisation				
Amortisation of intangible assets	2.133	289	288	289
Depreciation on property, plant and equipment	11.019	9.989	11.027	9.989
	13.152	10.278	11.315	10.278
6 - Other operational income				
Gain on the sale of property, plant and equipment	23	20.720	23	20.720
7 - Financial income				
Interest from group companies	0	153	0	153
Interest from banks	23	6	22	4
Other interest	281	79	281	79
Foreign exchange gains	54	530	54	530
	358	768	357	766
8- Financial expenses				
Interest to group companies	0	1	0	1
Interest to banks	29	2	0	2
Interest corporation tax	62	166	62	166
Interest and amortisation leasing	136	13	136	13
Other interest	405	13	394	13
Foreign exchange losses	0	15	0	15
	632	210	592	210

Notes

DKK'000	Consolidated 2015	Consolidated 2014	Parent company 2015	Parent company 2014
9 – Tax on profit for the year				
Current tax for the year	3.522	10.473	4.724	10.473
Adjustment of deferred tax	-136	1.105	160	1.145
Adjustment of deferred tax, changed tax rate	0	-54	0	-54
Adjustment regarding previous years	363	15	-1	15
Other taxes	0	6	0	6
	3.749	11.545	4.883	11.585
10 – Goodwill				
Cost at 1 January 2015	2.018	2.018	2.018	2.018
Additions	73.801	0	0	0
Cost at 31 December 2015	75.819	2.018	2.018	2.018
Amortisation at 1 January 2015	793	504	793	504
Amortisation	2.133	289	288	289
Amortisation at 31 December 2015	2.926	793	1.081	793
Carrying amount at 31 December 2015	72.893	1.225	937	1.225

11 - Property, plant and equipment

	Parent and consolidated			Parent	Consolidated
DKK'000	Land and buildings	Plant and machinery	PP&E under construction	Other fixtures and equipment	Other fixtures and equipment
Cost at 1 January 2015	130.476	75.204	31.050	3.965	3.965
Additions	35.294	5.077	14.292	2.054	2.054
Disposals	-1.154	-2.821	-31.050	-155	-155
Additions, acquired subsidiary	0	0	0	0	210
Cost at 31 December 2015	164.616	77.460	14.292	5.864	6.074
Depreciation at 1 January 2015	100.071	45.726	0	3.576	3.576
Depreciation	4.954	5.691	0	382	382
Depreciation on assets sold	-1.154	-2.021	0	-155	-155
Depreciation, acquired subsidiray	0	0	0	0	57
Depreciation at 31 December 2015	103.871	49.396	0	3.803	3.860
Carrying amount at 31 December 2015	60.745	28.064	14.292	2.061	2.214
Property, plant and equipment include finance leases with a carrying amount totalling	0	4.894	0	0	0

The official annual valuation of Danish properties with a carrying amount of DKK 60,745 thousand amounted to DKK 101,807 thousand at 31 December 2015 (31 December 2014: DKK 113,205 thousand).

Notes

12 - Investments in subsidiaries

DKK'000

Parent company	2015
Cost at 1 January 2015	1.969
Additions	81.698
Disposals	0
Cost at 31 December 2015	83.667
Value adjustments at 1 January 2015	-316
Share of profit for the year	-4.038
Amortisation of goodwill	-1.845
Dividends	0
Offset receivables from group companies	115
Value adjustments at 31 December 2015	-6.084
Carrying amount at 31 December 2015	**77.583**

Investment specification Parent company:

Name	Residence	Ownership
Danbor B.V	Den Helder, The Netherlands	100%
Øer A/S	Århus, Denmark	100%
Norserv Drelnes P/F	Tvoroyri, The Faroe Islands	95%

Investment specification consolidated accounts in addition to above:

Name	Residence	Ownership
Øer GmbH	Hamburg, Germany	100%

13 - Investments in associates

DKK'000

Consolidated	2015
Cost at 1 January 2015	250
Disposals	-250
Cost at 31 December 2015	0
Value adjustments at 1 January 2015	3.252
Value adjustments for the year	0
Disposals	-3.252
Value adjustments at 31 December 2015	0
Carrying amount at 31 December 2015	0

Investment specification:

Name	Residence	Ownership
Arctic Base Supply A/S (sold October 2nd 2015)	Nuuk, Greenland	50%

Notes

14 - Work in progress

	Consolidated		Parent company	
DKK'000	2015	2014	2015	2014
Work in progress	5.197	12.501	5.019	12.501
Prepayments from customers	-1.218	-3.559	-1.218	-3.559
Carrying amount at 31 December 2015	**3.979**	**8.942**	**3.801**	**8.942**

15 - Deferred tax asset

Intangible assets	143	-16	143	-16
Property, plant and equipment	1.611	1.843	1.624	1.843
Current assets	-687	-700	-443	-700
Liabilities and provisions	0	357	0	357
Tax loss	593	40	0	0
Carrying amount at 31 December 2015	**1.660**	**1.524**	**1.324**	**1.484**

16 - Mortgage credit institutions and lease obligations

	Parent and consolidated			
	Mortgage credit institutions		**Finance Lease obligations**	
DKK'000	2015	2014	2015	2014
Due for payment 0-<1 year	4.314	2.548	1.024	230
Due for payment 1-5 years	17.174	12.900	3.843	1.035
Due for payment > 5 years	62.466	35.386	0	0
Carrying amount at 31 December 2015	83.954	50.834	4.867	1.265

17 - Contingent liabilities and collateral security – parent and consolidated

Collateral security
Land and buildings with a carrying amount of DKK 60,745 thousand at 31 December 2015 have been provided as collateral for mortgages of DKK 85,554. The Parent company has provided a company charge of DKK 40,000 thousand to credit institution secured upon trade receivables, plant and machinery and inventories. The Parent company charge is furthermore secured for the Parent company accounts with credit institution.

Contingent liabilities
Rent and operating lease obligations amount to DKK 11.621 thousands of which DKK 3,512 thousand is due in 2016.

Other
The group hedges anticipated interest risks on mortgage loans with SWAP-agreements

The parent company is the administrative company for the Danish joint taxation. Together with the other jointly taxed enterprises in the group, the Company has limited and secondary liability for the payment of corporation taxes for the income years and withholding taxes in the joint taxation unit.

Notes

18 - Related party disclosures

Danbor A/S' related parties comprise the following:

NorSea Group AS, Norway
Danbor B.V., the Netherlands
Øer A/S, Denmark
Øer GmbH, Germany
Norserv Drelnes P/F, Faroe Islands

There have not been any related party transactions not carried out on an arm's length basis.

Parties exercising control
NorSea Group AS holds 100 % of the share capital in the Company.
The consolidated financial statements of NorSea Group AS are available at the Company's address.