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# *Ziemann Holvrieka A/S*

Kulholmsvej 24, DK-8930 Randers NØ

## Annual Report for 1 January - 31 December 2016

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CVR No 58 97 69 11

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
8 /6 2017

Ko Roelof Reint Brink  
Chairman



**pwc**

# Contents

	<u>Page</u>
<b>Management's Statement and Auditor's Report</b>	
Management's Statement	1
Independent Auditor's Report	2
<b>Management's Review</b>	
Company Information	5
Financial Highlights	6
Management's Review	7
<b>Financial Statements</b>	
Income Statement 1 January - 31 December	9
Balance Sheet 31 December	10
Statement of Changes in Equity	12
Cash Flow Statement 1 January - 31 December	13
Notes to the Financial Statements	14
Notes, Accounting Policies	21

# Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Ziemann Holvrieka A/S for the financial year 1 January - 31 December 2016.

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 31 December 2016 of the Company and of the results of the Company operations and cash flows for 2016.

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

Randers, 31 May 2017

## Executive Board

Bo Mortensen  
Managing Director

## Board of Directors

Ko Roelof Reint Brink  
Chairman

Arend Muggen

Bo Mortensen

# Independent Auditor's Report

To the Shareholder of Ziemann Holvrieka A/S

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Ziemann Holvrieka A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement 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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 Financials 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the

# Independent Auditor's Report

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, 8 June 2017

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Michael Nielsson  
statsautoriseret revisor

Peter Ulrik Faurschou  
statsautoriseret revisor

## **Company Information**

### **The Company**

Ziemann Holvrieka A/S  
Kulholmsvej 24  
DK-8930 Randers NØ

CVR No: 58 97 69 11  
Financial period: 1 January - 31 December  
Municipality of reg. office: Randers

### **Board of Directors**

Ko Roelof Reint Brink, Chairman  
Arend Muggen  
Bo Mortensen

### **Executive Board**

Bo Mortensen

### **Auditors**

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

## Financial Highlights

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

	2016 TDKK	2015 TDKK	2014 TDKK	2013 TDKK	2012 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Gross profit/loss	38.241	38.492	37.812	43.343	40.894
Operating profit/loss	-3.052	2.530	2.513	6.102	5.624
Net financials	940	941	1.186	1.388	-63
Net profit/loss for the year	-1.546	2.682	2.838	5.612	4.174
<b>Balance sheet</b>					
Balance sheet total	78.051	65.953	58.867	68.900	70.789
Equity	30.370	31.916	29.234	26.396	20.783
- investing activities	-276	-506	-506	-850	-723
Number of employees	72	69	69	72	65
<b>Ratios</b>					
Return on assets	-3,9%	3,9%	8,7%	7,5%	7,9%
Solvency ratio	38,9%	48,4%	49,7%	38,3%	29,4%
Return on equity	-5,0%	8,8%	10,2%	23,8%	22,3%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.



## **Management's Review**

Financial Statements of Ziemann Holvrieka A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Annual Report has been prepared under the same accounting policies as last year.

### **Main activity**

The major part of the company activities relates to selling tanks to the food and beverage industry as well as sale of process equipment and process lines especially for the brewing industry as well as tanks for the pharmaceutical industry.

### **Development in the year**

The income statement of the Company for 2016 shows a loss of DKK 1,546,053, and at 31 December 2016 the balance sheet of the Company shows equity of DKK 30,369,780.

### ***Foreign exchange risks***

Activities abroad involve that the result, cash flow, and equity are influenced by the development in currency and interest rates for a number of currencies. The Company's currency policy is to identify commercial currency risks in excess of EUR. Primarily, the identification takes place through currency forward transactions of specific projects. No speculative currency operations have been concluded.

### **Know-how resources**

A continuous knowledge about the processes in the brewing industry is growing and by virtue hereof products are developed so the Company is less dependent on acting on a stagnant market for tanks with increased competition from our neighbouring countries and Eastern Europe. This process knowledge we extend in cooperation with our sister company Ziemann Holvrieka GmbH as well as our new colleagues from BRIGGS plc. At the same time the Company has succeeded in re-establishing contacts to other segments than the brewing industry.

The Company involves all employees in the process of adapting the Company to meet the challenge in a market where the demands to the suppliers are constantly increasing - both with regards to products, price, quality, and flexibility.

# Management's Review

## Targets and expectations for the year ahead

Overall, the market is expected to stay at the present level; however, with a minor change in the mix of the product groups. With our cooperation on Group level we expect to increase our market share outside general tank production.

The Company has implemented a number of activities in order to improve the operating result. These activities are primarily in the following areas:

- production technology
- safety in production
- logistic and planning
- flexible employees
- process technology
- quality level

The budget for 2017 shows an expected result before tax of DKK 3,800,000.

Furthermore, 2017 will offer a restructuring which shall ensure a more stable order flow and thereby reduce the risk of the major dive we have seen earlier.

## Uncertainty relating to recognition and measurement

The calculation of contract work in progress requires estimates of future events. The estimates used are based on assumptions that the management considers to be reasonable, but which by nature is uncertain and unpredictable as unexpected events or circumstances may arise, which change the basis for applied assumptions. The relationship is further discussed in note 1.

## Unusual events

The financial position at 31 December 2016 of the Company and the results of the activities and cash flows of the Company for the financial year for 2016 have not been affected by any unusual events.

## Subsequent events

After the end of the financial year, no incidents of essential importance to the financial year 2016 have occurred.

## Income Statement 1 January - 31 December

	Note	2016 DKK	2015 DKK
<b>Gross profit/loss</b>		<b>38.241.272</b>	<b>38.491.500</b>
Staff expenses	2	-40.272.136	-34.701.358
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-1.020.956	-1.260.219
<b>Profit/loss before financial income and expenses</b>		<b>-3.051.820</b>	<b>2.529.923</b>
Financial income		1.008.592	1.111.778
Financial expenses	4	-68.697	-170.832
<b>Profit/loss before tax</b>		<b>-2.111.925</b>	<b>3.470.869</b>
Tax on profit/loss for the year	5	565.872	-788.947
<b>Net profit/loss for the year</b>		<b>-1.546.053</b>	<b>2.681.922</b>

## Distribution of profit

### Proposed distribution of profit

Retained earnings		-1.546.053	2.681.922
		<b>-1.546.053</b>	<b>2.681.922</b>

# Balance Sheet 31 December

## Assets

	Note	2016 DKK	2015 DKK
Land and buildings		517.971	816.268
Plant and machinery		945.285	1.227.686
Other fixtures and fittings, tools and equipment		120.235	284.930
<b>Property, plant and equipment</b>	6	<b>1.583.491</b>	<b>2.328.884</b>
<b>Fixed assets</b>		<b>1.583.491</b>	<b>2.328.884</b>
<b>Inventories</b>	7	<b>6.314.936</b>	<b>17.184.595</b>
Trade receivables	8	30.830.129	18.614.687
Contract work in progress	9	6.925.252	14.200.513
Receivables from group enterprises		5.802.806	1.552.489
Other receivables		72.196	191.081
Corporation tax		608.000	0
Prepayments	10	736.120	930.789
<b>Receivables</b>		<b>44.974.503</b>	<b>35.489.559</b>
<b>Cash at bank and in hand</b>		<b>25.178.384</b>	<b>10.949.830</b>
<b>Currents assets</b>		<b>76.467.823</b>	<b>63.623.984</b>
<b>Assets</b>		<b>78.051.314</b>	<b>65.952.868</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2016 DKK	2015 DKK
Share capital		1.000.001	1.000.001
Retained earnings		29.369.779	30.915.832
<b>Equity</b>	11	<b>30.369.780</b>	<b>31.915.833</b>
Provision for deferred tax	12	636.234	1.202.106
Other provisions	13	230.049	80.000
<b>Provisions</b>		<b>866.283</b>	<b>1.282.106</b>
Trade payables		8.133.558	11.786.977
Contract work in progress, liabilities	9	28.561.688	12.426.621
Payables to group enterprises		2.259.873	1.178.756
Corporation tax		0	186.478
Other payables		7.860.132	7.176.097
<b>Short-term debt</b>		<b>46.815.251</b>	<b>32.754.929</b>
<b>Debt</b>		<b>46.815.251</b>	<b>32.754.929</b>
<b>Liabilities and equity</b>		<b>78.051.314</b>	<b>65.952.868</b>
Uncertainty relating to recognition and measurement	1		
Contingent assets, liabilities and other financial obligations	14		
Related parties	15		

## Statement of Changes in Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	1.000.001	30.915.832	31.915.833
Net profit/loss for the year	0	-1.546.053	-1.546.053
<b>Equity at 31 December</b>	<b>1.000.001</b>	<b>29.369.779</b>	<b>30.369.780</b>

## Cash Flow Statement 1 January - 31 December

	Note	2016 DKK	2015 DKK
Net profit/loss for the year		-1.546.053	2.681.922
Adjustments	16	-484.811	1.108.220
Change in working capital	17	16.389.564	2.522.991
<b>Cash flows from operating activities before financial income and expenses</b>		<b>14.358.700</b>	<b>6.313.133</b>
Financial income		1.008.592	1.111.778
Financial expenses		-68.697	-170.831
<b>Cash flows from ordinary activities</b>		<b>15.298.595</b>	<b>7.254.080</b>
Corporation tax paid		-794.478	-1.107.640
<b>Cash flows from operating activities</b>		<b>14.504.117</b>	<b>6.146.440</b>
Purchase of property, plant and equipment		-350.063	-240.932
Sale of property, plant and equipment		74.500	0
<b>Cash flows from investing activities</b>		<b>-275.563</b>	<b>-240.932</b>
<b>Change in cash and cash equivalents</b>		<b>14.228.554</b>	<b>5.905.508</b>
Cash and cash equivalents at 1 January		10.949.830	5.044.322
<b>Cash and cash equivalents at 31 December</b>		<b>25.178.384</b>	<b>10.949.830</b>
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		25.178.384	10.949.830
<b>Cash and cash equivalents at 31 December</b>		<b>25.178.384</b>	<b>10.949.830</b>

# Notes to the Financial Statements

## 1 Uncertainty relating to recognition and measurement

The calculation of contract work in progress requires estimates of future events. The estimates used are based on assumptions that the management considers to be reasonable, but which by nature is uncertain and unpredictable as unexpected events or circumstances may arise, which change the basis for applied assumptions.

An essential condition for the application of the production principle is that the income and costs of individual contract can be estimated reliably. Expected revenues and costs of a contract may however change as the contract is executed and uncertainties are clarified. Similarly, during the execution of the contract, changes may be made to the contract, as well as conditions for the execution of the contract may prove not to be met.

The company's internal business processes, financial management and calculation tools, along with project management's knowledge and experience, support that construction work in progress can be measured reliably in accordance with the production principle.

	<u>2016</u> DKK	<u>2015</u> DKK
<b>2 Staff expenses</b>		
Wages and salaries	36.800.110	31.671.593
Pensions	2.576.248	2.277.745
Other social security expenses	<u>895.778</u>	<u>752.020</u>
	<b><u>40.272.136</u></b>	<b><u>34.701.358</u></b>
<b>Average number of employees</b>	<u>72</u>	<u>66</u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.



## Notes to the Financial Statements

	2016 DKK	2015 DKK
<b>3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment</b>		
Depreciation of property, plant and equipment	1.040.583	1.260.219
Gain and loss on disposal	-19.627	0
	<b>1.020.956</b>	<b>1.260.219</b>
Which is specified as follows:		
Buildings	298.295	299.375
Plant and machinery	577.594	743.824
Other fixtures and fittings, tools and equipment	164.694	217.020
Loss/(profit) on sale of property, plant and equipment	-19.627	0
	<b>1.020.956</b>	<b>1.260.219</b>
<b>4 Financial expenses</b>		
Interest paid to group enterprises	0	104.119
Other financial expenses	68.697	66.713
	<b>68.697</b>	<b>170.832</b>
<b>5 Tax on profit/loss for the year</b>		
Current tax for the year	0	526.478
Deferred tax for the year	-565.872	262.469
	<b>-565.872</b>	<b>788.947</b>

## Notes to the Financial Statements

### 6 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment
	DKK	DKK	DKK
Cost at 1 January	25.722.979	14.907.735	1.770.135
Additions for the year	0	350.064	0
Disposals for the year	0	-579.715	0
Cost at 31 December	<u>25.722.979</u>	<u>14.678.084</u>	<u>1.770.135</u>
Impairment losses and depreciation at 1 January	24.906.712	13.680.046	1.485.206
Depreciation for the year	298.296	577.595	164.694
Impairment and depreciation of sold assets for the year	0	-524.842	0
Impairment losses and depreciation at 31 December	<u>25.205.008</u>	<u>13.732.799</u>	<u>1.649.900</u>
<b>Carrying amount at 31 December</b>	<b><u>517.971</u></b>	<b><u>945.285</u></b>	<b><u>120.235</u></b>

### 7 Inventories

	2016	2015
	DKK	DKK
Raw materials and consumables	6.314.936	6.921.475
Prepayments for goods	0	10.263.120
	<b><u>6.314.936</u></b>	<b><u>17.184.595</u></b>

### 8 Trade receivables

The following receivables fall due for payment more than 1 year after year end

	<u>7.010.517</u>	<u>3.657.674</u>
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## Notes to the Financial Statements

	2016 DKK	2015 DKK
<b>9 Contract work in progress</b>		
Selling price of work in progress	26.957.605	39.400.587
Payments received on account	-48.594.041	-37.626.695
	<b>-21.636.436</b>	<b>1.773.892</b>
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	6.925.252	14.200.513
Prepayments received recognised in debt	-28.561.688	-12.426.621
	<b>-21.636.436</b>	<b>1.773.892</b>

### 10 Prepayments

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

### 11 Equity

The share capital consists of 23 shares of a nominal value of DKK 1,000,001. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

	2016 DKK	2015 DKK
<b>12 Provision for deferred tax</b>		
Property, plant and equipment	-145.016	-118.091
Contract work in progress	937.720	1.045.426
Prepayments	177.733	211.175
Other payables	53.352	63.596
Trade payables	-33.000	0
Tax loss carry-forward	-354.555	0
	<b>636.234</b>	<b>1.202.106</b>

## Notes to the Financial Statements

	<u>2016</u>	<u>2015</u>
	DKK	DKK
<b>13 Other provisions</b>		
The Company provides a guarantee of harbour revenues. There are recognized provisions of DKK 230,049 (2015: 80,000) based on expected cost of this guarantee.		
Other provisions	<u>230.049</u>	<u>80.000</u>
	<b><u>230.049</u></b>	<b><u>80.000</u></b>
The provisions are expected to mature as follows:		
Within 1 year	<u>230.049</u>	<u>80.000</u>
	<b><u>230.049</u></b>	<b><u>80.000</u></b>

## 14 Contingent assets, liabilities and other financial obligations

### Contingent liabilities

The company has entered lease contracts on the addresses Kulholmsvej 24, 28 and 38. The leases are irrevocable from the part of the lessor until the 01.04.2036. Lessee has a notice of 12 months to the dates 01.04 or 01.10. At present, the annual lease for 21.108 m<sup>2</sup> land is TDKK 550. The ground rent is adjusted once a year per 1 January.

Through Nationale Borg the company has guarantees for customers issued for totally TDKK 14,371.

# Notes to the Financial Statements

## 15 Related parties

	<b>Basis</b>
<b>Controlling interest</b>	
Bo Mortensen, Dr. Larsens Vej 23, 8370 Hadsten, Denmark	CEO and bord member
Ko Roelof Reint Brink, Kloosterbrink 15, 8034 PT Zwolle, Netherlands	Board Member
Arrend Muggen, Kartanjelaan 23, 8441 NC Heerenveen, Netherlands	Board Member
CIMC Enric Tank and Process, Kamer van Koophandel Noord Nederland, 9700 AC Gronningen, The Netherlands	Imidiate parent company
Coöperatie Vela Holding U.A., Kamer van Kooperhandel Den Haag, 2502 LS Den Haag, The Netherlands	Domestic parent
CIMC Group Co. Ltd., No. 2 Gangwan Avenue, Shekou Industrial Zone, Shenzhen, Guangdong P.R.C., China	Ultimative parent company

### Transactions

There have been no transactions with Board members, CEO or significant shareholders, except for normal management remuneration.

There have been transactions with group companies at market terms.

### Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

CIMC Enric Tank and Process B.V.  
Kapt. Grantstraat 8  
P.O. Box 2044  
NL-7801 CA EMMEN

# Notes to the Financial Statements

## 15 Related parties (continued)

### Consolidated Financial Statements

The company is included in the consolidated report of the parent company

Name	Place of registered office
CIMC Group Co. Ltd.	No. 2 Gangwan Avenue Shekou Industrial Zone, Shenzhen, Guangdong P.R.C. China
CIMC Enric Tank and Process	Kamer van Koophandel Noord Nederland P.O. Box 134, 9700 AC Gronningen The Netherlands

## 16 Cash flow statement - adjustments

	2016 DKK	2015 DKK
Financial income	-1.008.592	-1.111.778
Financial expenses	68.697	170.832
Depreciation, amortisation and impairment losses, including losses and gains on sales	1.020.956	1.260.219
Tax on profit/loss for the year	-565.872	788.947
	<b>-484.811</b>	<b>1.108.220</b>

## 17 Cash flow statement - change in working capital

Change in inventories	10.869.659	-12.101.956
Change in receivables	-8.876.944	9.902.222
Change in other provisions	150.049	-483.159
Change in trade payables, etc	14.246.800	5.205.884
	<b>16.389.564</b>	<b>2.522.991</b>

## **Notes, Accounting Policies**

### **Basis of Preparation**

The Annual Report of Ziemann Holvrieka A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

Financial Statements for 2016 are presented in DKK.

### **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.

### **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.

## **Notes, Accounting Policies**

### **Income Statement**

#### **Gross profit/loss**

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

#### **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 enterprise.

#### **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 intangible assets and property, plant and equipment.



## **Notes, Accounting Policies**

### **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.

## **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.

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:

Production buildings, 20 years

Plant and machinery, 8 years

Other fixtures and fittings, tools and equipment, 3-5 years

Depreciation period and residual value are reassessed annually.

### **Impairment of fixed assets**

The carrying amounts of 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.

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

### **Inventories**

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

## **Notes, Accounting Policies**

The cost of raw materials and consumables equals landed cost.

### **Receivables**

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

### **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.

### **Prepayments**

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

### **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.

### **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.

## Notes, Accounting Policies

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**

Loans are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

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

## Cash Flow Statement

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

### **Cash flows from operating activities**

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

### **Cash flows from investing activities**

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

### **Cash flows from financing activities**

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

## Notes, Accounting Policies

### Cash and cash equivalents

Cash and cash equivalents comprise

The cash flow statement cannot be immediately derived from the published financial records.

### Financial Highlights

#### Explanation of financial ratios

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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$