

Oreco A/S
Oldvej 1A, 3540 Lyngø
Company reg. no. 37 25 94 62
Annual report
1 January - 31 December 2024

The annual report was submitted and approved by the general meeting on the 16 April 2025.

Ole Meldgaard Nielsen
Chairman of the meeting



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Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.



Management's statement

Today, the Board of Directors and the Managing Director have approved the annual report of Oreco A/S for the financial year 1 January - 31 December 2024.

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

We consider the chosen accounting policy to be appropriate, and in our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2024 and of the results of the Company's operations for the financial year 1 January – 31 December 2024.

Further, in our opinion, the Management's review gives a true and fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the Annual General Meeting.

Lynge, 16 April 2025

Managing Director

Ole Meldgaard Nielsen

Board of directors

Ole Meldgaard Nielsen

Radad Saeed R. Al Zahrani

Mohammed Hassan Al Zahrani



Independent auditor's report

To the Shareholder of Oreco A/S

Opinion

We have audited the financial statements of Oreco A/S for the financial year 1 January - 31 December 2024, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes, for the Company. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2024, and of the results of the Company's operations for the financial year 1 January - 31 December 2024 in accordance with the Danish Financial Statements Act.

Basis for conclusion

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.

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.



Independent auditor's report

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 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.

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.



Independent auditor's report

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, we conclude that Management's Review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of Management's Review.

Copenhagen, 16 April 2025

Christensen Kjarulff

Statsautoriseret Revisionsaktieselskab
Company reg. no. 15 91 56 41

Martin Dyhr Jørgensen

State Authorised Public Accountant
mne41362



Company information

The company

Oreco A/S
Oldvej 1A
3540 Lyngø

Company reg. no. 37 25 94 62
Established: 26 November 2015
Domicile: Allerød
Financial year: 1 January - 31 December

Board of directors

Ole Meldgaard Nielsen
Radad Saeed R. Al Zahrani
Mohammed Hassan Al Zahrani

Managing Director

Ole Meldgaard Nielsen

Auditors

Christensen Kjarulff
Statsautoriseret Revisionsaktieselskab
Østbanegade 123
2100 København Ø

Parent company

Saudi Napesco Company Limited



Management's review

Description of key activities of the company

The key activities of the company are to develop, manufacture and globally market mobile, turnkey systems for automated waste oil recovery and storage tank cleaning (ATC) in the oil and petrochemical industries as well as develop, manufacture and globally market Pressure Swing Adsorption (PSA) Oxygen and Nitrogen producing systems for the general industry in addition to the oil and Petrochemical industry.

Oreco's tank cleaning and waste oil treatment system offers a combination of oil tank cleaning with simultaneous or standalone separation of the cleaned-out sludge and waste. While Oreco's PSA gas producing systems offers onsite and on-demand production of Nitrogen or Oxygen gases both to the Oil and petrochemical industry, but also into several other large sectors such as aqua culture, glass industry, paper, and pulp industry and beyond.

Significant changes in the company's activities and financial matters

There have been no significant changes in activities and financial matters.

By recommendations from the top management, Oreco have expanded the Sales department with a regional sales office in Bangkok, Thailand, and is now present in both Far East and in the Middle East.

Oreco products are under constant pressure from competitors in both the ATC and the PSA market. To keep our position in the market a new software package is being developed for the PSA systems, which now match the performance of our competitors in this market. The target is to have the software commercially ready by early 2025. The development of the next generation of ATC products is targeted to begin in late 2025.

The gross profit for the year totals DKK 16.188.010 against DKK 19.598.156 last year. Income or loss from ordinary activities after tax totals DKK 1.625.588 against DKK 1.868.928 last year. Management considers the net profit or loss for the year satisfactory.

High level events

From a busy 2023 Oreco has secured a large back log. With the on-going war in Ukraine and then added the Israel/Hamas conflict gave certain instability in these regions. First 2 quarters of 2024 where with less sales activities. First, in 3rd quarter PSA and ATC picked up again, securing a reasonable revenue for 2024. Especially PSA ended 2024 almost securing the years revenue by the last 3 months.

By end of 2024 the landlord of the Oreco location proclaimed that our rent agreement will terminate by March 2026, with no option for extending. As a result, Oreco management have started the search for a new location to continue the activities at an unchanged level.

Market overview

The Tank Cleaning market returned around mid-2024 as the world stabilizes with the 2 ongoing wars. The oil market prices were somewhere stable throughout the year even with the impacts from the on-going wars, keeping the oil price above 85 USD/barrel throughout the year.



Management's review

From a very quiet first 2 quarters the activities came back and many Oreco clients reported winning several service contracts. By September the first ATC contract in 2024 was secured and on top 5 PSA orders also were secured in late 2024.

By securing contracts with 3 existing clients, and 3 new ones, Oreco proves their quality target of reselling ATC units to existing clients by having a focus on quality, service and engineering know-how. The secured contracts result in good year even with the late start in 2024. The target for Oreco is now to achieve the same high performance for the 3rd year in a row, which has not been seen for years.



Income statement 1 January - 31 December

All amounts in DKK.

Note	2024	2023
Gross profit	16.188.010	19.598.156
2 Staff costs	-11.705.821	-11.709.591
Depreciation, amortisation, and impairment	-1.299.118	-1.897.621
Impairment of current assets exceeding usual impairment	-263.785	-4.369.912
Profit before net financials	2.919.286	1.621.032
Other financial income	120.728	89.350
3 Other financial expenses	-768.905	-483.947
Pre-tax net profit or loss	2.271.109	1.226.435
Tax on net profit or loss for the year	-645.521	642.493
Net profit or loss for the year	1.625.588	1.868.928
Proposed distribution of net profit:		
Transferred to retained earnings	1.625.588	1.868.928
Total allocations and transfers	1.625.588	1.868.928



Balance sheet at 31 December

All amounts in DKK.

Assets		
<u>Note</u>	<u>2024</u>	<u>2023</u>
Non-current assets		
4 Completed development projects, including patents and similar rights arising from development projects	3.623.956	4.222.336
5 Acquired concessions, patents, licenses, trademarks, and similar rights	522.987	1.074.997
6 Goodwill	0	0
7 Development projects in progress and prepayments for intangible assets	431.778	0
Total intangible assets	4.578.721	5.297.333
8 Plant and machinery	239.562	76.204
9 Other fixtures, fittings, tools and equipment	366.510	454.933
Total property, plant, and equipment	606.072	531.137
10 Deposits	534.727	448.637
Total investments	534.727	448.637
Total non-current assets	5.719.520	6.277.107
Current assets		
Raw materials and consumables	3.193.178	3.323.683
Manufactured goods and goods for resale	3.408.050	2.555.683
Total inventories	6.601.228	5.879.366
Trade receivables	1.249.818	5.904.149
11 Contract work in progress	7.588.965	14.663.883
Deferred tax assets	889.921	745.686
Other receivables	885.408	2.479.470
Prepayments	31.016	136.502
Total receivables	10.645.128	23.929.690
Cash and cash equivalents	16.357.881	5.204.992
Total current assets	33.604.237	35.014.048
Total assets	39.323.757	41.291.155



Balance sheet at 31 December

All amounts in DKK.

Equity and liabilities			
<u>Note</u>		<u>2024</u>	<u>2023</u>
Equity			
	Contributed capital	1.846.866	1.846.866
	Reserve for development costs	3.163.472	3.216.358
	Retained earnings	9.264.556	7.586.082
	Total equity	14.274.894	12.649.306
Provisions			
	Other provisions	2.329.804	2.604.078
	Total provisions	2.329.804	2.604.078
Liabilities other than provisions			
	Other payables	892.788	975.266
12	Total long term liabilities other than provisions	892.788	975.266
12	Current portion of long term liabilities	112.712	0
	Bank loans	3.014	0
11	Prepayments received from customers for contract work in progress	3.578.711	4.225.426
	Trade payables	4.905.423	11.273.227
	Payables to group enterprises	8.265.944	0
	Income tax payable	789.756	0
	Other payables	4.170.711	9.563.852
	Total short term liabilities other than provisions	21.826.271	25.062.505
	Total liabilities other than provisions	22.719.059	26.037.771
	Total equity and liabilities	39.323.757	41.291.155
1	Special items		
13	Charges and security		
14	Contingencies		



Statement of changes in equity

All amounts in DKK.

	Contributed capital	Reserve for development costs	Retained earnings	Total
Equity 1 January 2023	1.846.866	3.656.524	5.276.988	10.780.378
Retained earnings for the year	0	0	1.868.928	1.868.928
Transferred to retained earnings	0	-440.166	0	-440.166
Transferred from reserve	0	0	440.166	440.166
Equity 1 January 2024	1.846.866	3.216.358	7.586.082	12.649.306
Retained earnings for the year	0	0	1.625.588	1.625.588
Transferred to retained earnings	0	-52.886	0	-52.886
Transferred from reserve	0	0	52.886	52.886
	1.846.866	3.163.472	9.264.556	14.274.894



Notes

All amounts in DKK.

1. Special items

Special items include significant income and expenses of a special nature relative to the enterprise's ordinary operating activities, such as the cost of extensive structuring of processes and fundamental structural adjustments and any related gains on disposal and losses which, over time, have a significant impact. Special items also include other significant amounts of a nonrecurring nature.

As mentioned in the management commentary, the net profit or loss for the year is affected by a some of factors that differ from what is considered by management to be part of operating activities.

Special items for the year are specified below, indicating where they are recognised in the income statement.

	2024	2023
Expenses:		
Impairment of inventory to net realisable value	263.785	0
Extraordinary impairment of development costs and goodwill	0	4.320.793
	<u>263.785</u>	<u>4.320.793</u>
Special items are recognised in the following items in the financial statements:		
Impairment of current assets exceeding usual impairment	-263.785	-4.320.793
Profit of special items, net	<u>-263.785</u>	<u>-4.320.793</u>

2. Staff costs

Salaries and wages	10.929.246	11.077.344
Pension costs	685.155	557.462
Other costs for social security	91.420	74.785
	<u>11.705.821</u>	<u>11.709.591</u>
Average number of employees	<u>11</u>	<u>11</u>



Notes

All amounts in DKK.

	2024	2023
3. Other financial expenses		
Financial costs, group enterprises	603.779	0
Other financial costs	165.126	483.947
	768.905	483.947
4. Completed development projects, including patents and similar rights arising from development projects		
Cost 1 January 2024	7.864.231	4.899.816
Additions during the year	0	155.300
Transfers	0	2.809.115
Cost 31 December 2024	7.864.231	7.864.231
Amortisation and write-down 1 January 2024	-3.641.895	-3.003.211
Amortisation and depreciation for the year	-598.380	-589.565
Impairment loss for the year	0	-49.119
Amortisation and write-down 31 December 2024	-4.240.275	-3.641.895
Carrying amount, 31 December 2024	3.623.956	4.222.336
5. Acquired concessions, patents, licenses, trademarks, and similar rights		
Cost 1 January 2024	7.664.369	7.664.369
Cost 31 December 2024	7.664.369	7.664.369
Amortisation and write-down 1 January 2024	-6.589.372	-5.792.253
Amortisation and depreciation for the year	-552.010	-797.119
Amortisation and write-down 31 December 2024	-7.141.382	-6.589.372
Carrying amount, 31 December 2024	522.987	1.074.997



Notes

All amounts in DKK.

	31/12 2024	31/12 2023
6. Goodwill		
Cost 1 January 2024	15.523.857	15.523.857
Disposals during the year	-15.523.857	0
Cost 31 December 2024	0	15.523.857
Amortisation and write-down 1 January 2024	-15.523.857	-10.814.968
Amortisation and depreciation for the year	0	-388.096
Impairment loss for the year	0	-4.320.793
Reversal of depreciation, amortisation and impairment loss, assets disposed of	15.523.857	0
Amortisation and write-down 31 December 2024	0	-15.523.857
Carrying amount, 31 December 2024	0	0
7. Development projects in progress and prepayments for intangible assets		
Cost 1 January 2024	0	2.791.246
Additions during the year	431.778	0
Transfers	0	-2.791.246
Cost 31 December 2024	431.778	0
Carrying amount, 31 December 2024	431.778	0
8. Plant and machinery		
Cost 1 January 2024	571.034	571.034
Additions during the year	223.662	0
Cost 31 December 2024	794.696	571.034
Depreciation and write-down 1 January 2024	-494.830	-464.348
Amortisation and depreciation for the year	-60.304	-30.482
Depreciation and write-down 31 December 2024	-555.134	-494.830
Carrying amount, 31 December 2024	239.562	76.204



Notes

All amounts in DKK.

	31/12 2024	31/12 2023
9. Other fixtures, fittings, tools and equipment		
Cost 1 January 2024	1.206.522	1.206.522
Cost 31 December 2024	1.206.522	1.206.522
Depreciation and write-down 1 January 2024	-751.589	-659.230
Amortisation and depreciation for the year	-88.423	-92.359
Depreciation and write-down 31 December 2024	-840.012	-751.589
Carrying amount, 31 December 2024	366.510	454.933
10. Deposits		
Cost 1 January 2024	448.637	434.975
Additions during the year	86.090	13.662
Cost 31 December 2024	534.727	448.637
Carrying amount, 31 December 2024	534.727	448.637
11. Contract work in progress		
Selling price of the production for the period	15.936.545	56.778.137
Progress billings	-11.926.291	-46.339.680
Contract work in progress, net	4.010.254	10.438.457
The following is recognised:		
Contract work in progress (current assets)	7.588.965	14.663.883
Contract work in progress (prepayments received on account)	-3.578.711	-4.225.426
	4.010.254	10.438.457



Notes

All amounts in DKK.

12. Long term liabilities other than provisions

	Total payables 31 Dec 2024	Current portion of long term payables	Long term payables 31 Dec 2024	Outstanding payables after 5 years
Other payables	1.005.500	112.712	892.788	739.246
	1.005.500	112.712	892.788	739.246

13. Charges and security

For bank loans, DKK 0, the company has provided security in company assets representing a nominal value of t.DKK 5.000. This security comprises the assets below, stating the carrying amounts:

	DKK in thousands
Inventories	6.601
Intangible fixed assets	4.579
Tangible fixed assets	606
Trade receivables	1.250

14. Contingencies Contingent liabilities

	DKK in thousands
Lease liabilities	195
Total contingent liabilities	195



Accounting policies

The annual report for Oreco A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, write-downs for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Fixed assets acquired and paid for in foreign currency are measured at the exchange rate prevailing at the date of the transaction.



Accounting policies

Income statement

Gross profit

Gross profit comprises the revenue, changes in inventories of finished goods, and work in progress, own work capitalised, other operating income, and external costs.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Revenue is measured at the fair value of the consideration promised exclusive of VAT and taxes and less any discounts relating directly to sales.

Contract work in progress concerning construction contracts is recognised in the revenue concurrently with the production process. Thus, the revenue corresponds to the selling price of the total yearly production (the production method). The revenue is recognised when the total income and costs of the contract and the stage of completion on the reporting date can be reliably validated and it is deemed probable that the financial benefits will flow to the company.

When the results of a contract cannot be reliably validated, the revenue is recognised solely on a cost basis to the extent that it seems probable that the costs will be recovered.

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other external expenses comprise expenses incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members.

Depreciation, amortisation, and write-down for impairment

Depreciation, amortisation, and write-down for impairment comprise depreciation on, amortisation of, and write-down for impairment of intangible and tangible assets, respectively.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency.



Accounting policies

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

Statement of financial position

Intangible assets

Development projects, patents, and licences

Development costs comprise salaries, wages, and amortisation directly attributable to development activities.

Clearly defined and identifiable development projects are recognised as intangible assets provided that they are proven to be technically practicable, that sufficient resources and a potential market or development opportunity exist, and insofar as the intention is to produce, market or utilise the project. It is, however, a condition that the cost can be reliably calculated and that a sufficiently high degree of certainty indicates that future earnings will cover the costs of production, sales, and administration. Other development costs are recognised in the income statement concurrently with their realisation.

Development costs recognised in the statement of financial position are measured at cost less accrued amortisations and write-downs for impairment.

After completion of the development work, capitalised development costs are amortised on a straight-line basis over the estimated useful economic life. The amortisation period is usually 10 years.

Patents and licenses are measured at cost less accrued amortisation. Patents are amortised on a straightline basis over the remaining patent period and licenses are amortised over the contract period, however, for a maximum of 10 years.

Profit and loss from the sale of development projects, patents, and licenses are measured as the difference between the sales price less sales costs and the carrying amount at the time of sale. Profit or loss are recognised in the income statement as other operating income or other operating expenses, respectively.

Goodwill

Acquired goodwill is measured at cost less accumulated amortisation. Given that it is impossible to make a reliable estimate of the useful life, the amortisation period is set at 10 years.

Property, plant, and equipment

Property, plant, and equipment are measured at cost less accrued depreciation and write-down for impairment.



Accounting policies

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing, and the individual component representing a material part of the total cost.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life and the residual value of the individual assets:

	Useful life	Residual value
Plant and machinery	5-10 years	0%
Other fixtures and fittings, tools and equipment	3-5 years	0%

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Leases

All other leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The company's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

Deposits

Deposits are measured at amortised cost and represent lease deposits, etc.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible fixed assets are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.



Accounting policies

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. write-down for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

Inventories

Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

Costs of manufactured goods and work in progress comprise the cost of raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance and depreciation of machinery, factory buildings, and equipment used in the production process, and costs for factory administration and factory management. Borrowing expenses are not recognised in cost.

The net realisable value for inventories is recognised as the estimated selling price less costs of completion and selling costs. The net realisable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

In order to meet expected losses, impairment takes place at the net realisable value.

Contract work in progress

Contract work in progress is measured at the selling price of the work performed. The selling price is measured on the basis of the stage of completion on the reporting date and the total expected income from the individual work in progress. The stage of completion is calculated as the share of costs incurred in proportion to the estimated total costs of the individual work in progress.

When the selling price of the individual work in progress cannot be determined reliably, the selling price is measured at the costs incurred or at net realisable value, if this is lower.



Accounting policies

The individual work in progress is recognised in the statement of financial position under accounts receivables or liabilities. Net assets consist of the sum of the work in progress, where the selling price of the work performed exceeds invoicing on account. Net liabilities consist of the sum of the work in progress, where invoicing on account exceeds the selling price.

Costs in connection with sales work and the procurement of contracts are recognised in the income statement when incurred.

Prepayments

Prepayments recognised under assets comprise incurred costs concerning the following financial year.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

Equity

Reserve for development costs

The reserve for development costs comprises recognised development costs less related deferred tax liabilities.

The reserve cannot be used as dividends or for covering losses.

The reserve is reduced or dissolved if the recognised development costs are amortised or abandoned. This is done by direct transfer to the distributable reserves of the equity.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.



Accounting policies

Provisions

Provisions comprise expected costs of warranty commitments, loss on work in progress, restructuring, etc. Provisions are recognised when the company has a legal or actual commitment resulting from a previously occurred event and when it is probable that the settlement of the liability will result in consumption of the financial resources of the company.

Provisions are measured at net realisable value or at fair value. If the fulfilment of a liability is expected to take place far in the future, the liability is measured at fair value.

Guarantee liabilities comprise liabilities for repairs within the guarantee period of 1-5 years. Provisions for warranty commitments are measured on basis of the obtained experience with guarantee work. Provisions with an expected due date later than 1 year from the reporting date are discounted at a rate reflecting risk and maturity of the liability.

When it is likely that the total costs will exceed the total income of contract work in progress, the total expected loss on the contract work in progress will be recognised as provisions for liabilities. The provision is recognised under production costs.

Liabilities other than provisions

Other liabilities concerning payables to suppliers and other payables are measured at amortised cost which usually corresponds to the nominal value.

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Martin Dyhr

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Revisor

On behalf of Revisionsaktieselskabet Christensen Kjærulff

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