
Østermark Grouting A/S

Nybovej 34, DK-7500 Holstebro

Annual Report for 1 October 2023 - 30 September 2024

CVR No. 34 47 61 95

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 12/12 2024

Jacob Kaiser
Chairman of the
general meeting



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Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Østermark Grouting A/S for the financial year 1 October 2023 - 30 September 2024.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 30 September 2024 of the Company and of the results of the Company operations for 2023/24.

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

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

Holstebro, 12 December 2024

Executive Board

Thomas Bak
CEO

Claus Balleby Møldambjærg
Manager

Board of Directors

Johnny Thomsen
Chairman

Bent Møller Henriksen

John Henriksen

Thomas Bak

Claus Balleby Møldambjærg

Henrik Vestergaard Nielsen

Independent Auditor's report

To the shareholders of Østermark Grouting A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 September 2024 and of the results of the Company's operations for the financial year 1 October 2023 - 30 September 2024 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Østermark Grouting A/S for the financial year 1 October 2023 - 30 September 2024, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

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.

Independent Auditor's report

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

Herning, 12 December 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Kim Vorret

State Authorised Public Accountant

mne33256

Hans Jørgen Andersen

State Authorised Public Accountant

mne30211

Company information

The Company	Østermark Grouting A/S Nybovej 34 DK-7500 Holstebro CVR No: 34 47 61 95 Financial period: 1 October 2023 - 30 September 2024 Municipality of reg. office: Holstebro
Board of Directors	Johnny Thomsen, chairman Bent Møller Henriksen John Henriksen Thomas Bak Claus Balleby Møldambjærg Henrik Vestergaard Nielsen
Executive Board	Thomas Bak Claus Balleby Møldambjærg
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Platanvej 4 DK-7400 Herning

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2023/24	2022/23	2021/22	2020/21	2019/20
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit	36,219	47,886	59,703	55,750	47,948
Profit/loss of primary operations	6,165	13,182	22,866	23,888	18,585
Profit/loss of financial income and expenses	749	504	-1,822	64	911
Net profit/loss for the year	5,346	10,652	15,949	18,513	15,643
Balance sheet					
Balance sheet total	50,827	55,528	61,443	62,830	55,816
Investment in property, plant and equipment	45	1,605	891	742	530
Equity	36,784	38,720	43,039	42,090	33,577
Number of employees	38	46	48	43	40
Ratios					
Return on assets	12.1%	23.7%	37.2%	38.0%	33.3%
Solvency ratio	72.4%	69.7%	70.0%	67.0%	60.2%
Return on equity	14.2%	26.1%	37.5%	48.9%	55.4%

Management's review

Key activities

The Company's primary activity is grouting and sealing of wind turbine foundations both for on- and offshore purposes.

In addition, the Company carries out repair tasks on wind turbine foundations and other constructions, testing of grouting materials from new and existing manufacturers on the market as well as testing of materials and installations for the wind turbine industry.

The Company operates worldwide with trained professionals and specialized equipment.

Development in the year

The income statement of the Company for 2023/24 shows a profit of DKK 5,346,331, and at 30 September 2024 the balance sheet of the Company shows a positive equity of DKK 36,784,454.

The management considers the year's result to be satisfactory.

The past year and follow-up on development expectations from last year

The greatest focus for the year has been on grouting of onshore foundations, and secondly on sealing of previously grouted foundations.

As expected, the demand for the service of the Company has been decreasing compared to the previous year, as conditions in the wind turbine market during the financial year have been restraining due to increased interest rates and prolonged project approvals.

The Company works continuously with product development, as well as the expansion of competences to carry out grouting in almost all kinds of weather and to carry out repair tasks on both wind turbine foundations and other types of foundations in the offshore industry and the construction industry in general. As a result, the Company's management is always aware of the opportunities to improve and supplement the range of products, services and markets.

Targets and expectations for the year ahead

It is management's goal that the most important parameter for choosing Østermark Grouting A/S as partner, must continue to be quality and presence. With on time delivery, worldwide service and quality documentation on all tasks, Østermark Grouting A/S will continue to compete on these parameters. The market, however, is expected to continue to be restrained in 2024/25.

Based on solid core competences and a strong market positioning, as well as the development of new solutions, the Company expects further strengthened competitiveness in the coming year. Because of an unchanged level of activity globally, the result is expected to be on par with 2023/24.

Research and development

The Company's management focuses on the development of the company's products and business areas, just as operating procedures are constantly optimized. No specific research is carried out.

External environment

The Company implements ongoing initiatives that intend to reduce the environmental impact, and the company has correspondingly, an attention in relation to ensuring the right level of environmental ambition for energy consumption, etc.

Branches abroad

The Company has subsidiaries in Australia, USA and Ukraine.

Management's review

The Australian company has had a stable development with activity and earnings in line with the previous financial year.

The subsidiary in the United States was established during the financial year with a focus on setup and market development for the service the Company undertakes.

The subsidiaries' operations in Europe have been significantly affected by political unrest in Russia and Ukraine, where all activities have been suspended. Liquidation of a Russian subsidiary was initiated in the previous financial year and finalized in 2023/24. Liquidation of the Ukrainian subsidiary has been initiated.

It requires a large effort to run subsidiaries and permanent offices abroad and the operation outside Denmark's borders is therefore continuously supported by both employees in the administration, operations and the company's Danish management, as it is a prerequisite for a standardized and scalable operation.

The Company prioritize local market adaption and therefore often use a combination of Danish and local labor force on foreign assignments. The presence of Danish supervisors contributes to ensuring that projects are performed with high quality and standardized methods regardless of where in the world the Company operates.

It is the Company's expectation that the activities of the subsidiaries will be on the same level in 2024/25.

Unusual events

The financial position at 30 September 2024 of the Company and the results of the activities and cash flows of the Company for the financial year for 2023/24 have not been affected by any unusual events.

Subsequent events

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

Income statement 1 October 2023 - 30 September 2024

	Note	2023/24 DKK	2022/23 DKK
Gross profit		36,218,810	47,886,366
Staff expenses	1	-29,077,150	-33,481,885
Depreciation and impairment losses of property, plant and equipment	2	-764,843	-924,688
Other operating expenses		-211,727	-298,132
Profit/loss before financial income and expenses		6,165,090	13,181,661
Income from investments in subsidiaries		16,834	1,227,304
Financial income	3	1,000,896	592,110
Financial expenses		-269,022	-1,315,251
Profit/loss before tax		6,913,798	13,685,824
Tax on profit/loss for the year	4	-1,567,467	-3,034,158
Net profit/loss for the year	5	5,346,331	10,651,666

Balance sheet 30 September 2024

Assets

	Note	2023/24	2022/23
		DKK	DKK
Plant and machinery		1,346,847	2,067,190
Property, plant and equipment	6	1,346,847	2,067,190
Investments in subsidiaries	7	652,383	570,231
Receivables from group enterprises	8	1,050,000	1,050,000
Deposits	8	573,580	573,580
Fixed asset investments		2,275,963	2,193,811
Fixed assets		3,622,810	4,261,001
Inventories	9	5,529,617	5,514,545
Trade receivables		23,945,921	21,096,777
Contract work in progress	10	457,132	1,375,343
Receivables from group enterprises		15,806,718	18,125,621
Other receivables		924,360	1,162,293
Prepayments	11	348,475	336,354
Receivables		41,482,606	42,096,388
Cash at bank and in hand		191,904	3,655,694
Current assets		47,204,127	51,266,627
Assets		50,826,937	55,527,628

Balance sheet 30 September 2024

Liabilities and equity

	Note	2023/24	2022/23
		DKK	DKK
Share capital		500,000	500,000
Retained earnings		32,184,454	30,920,018
Proposed dividend for the year		4,100,000	7,300,000
Equity		36,784,454	38,720,018
Provision for deferred tax	12	1,533,000	2,319,000
Other provisions	13	145,000	52,999
Provisions		1,678,000	2,371,999
Credit institutions		471,399	972
Trade payables		1,666,990	1,656,041
Contract work in progress	10	359,792	621,800
Payables to group enterprises		2,581,563	2,496,645
Payables to group enterprises relating to corporation tax		2,353,467	3,063,763
Deposits		30,500	30,500
Other payables		4,900,772	6,565,890
Short-term debt		12,364,483	14,435,611
Debt		12,364,483	14,435,611
Liabilities and equity		50,826,937	55,527,628
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Statement of changes in equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK
Equity at 1 October	500,000	30,920,018	7,300,000	38,720,018
Exchange adjustments	0	18,105	0	18,105
Ordinary dividend paid	0	0	-7,300,000	-7,300,000
Net profit/loss for the year	0	1,246,331	4,100,000	5,346,331
Equity at 30 September	500,000	32,184,454	4,100,000	36,784,454

Notes to the Financial Statements

	2023/24	2022/23
	DKK	DKK
1. Staff Expenses		
Wages and salaries	25,394,130	29,073,018
Pensions	3,201,795	3,827,160
Other social security expenses	481,225	581,707
	29,077,150	33,481,885
Including remuneration to the Executive Board and Board of Directors:		
Executive board	1,951,327	1,987,162
Board of directors	302,500	250,107
	2,253,827	2,237,269
Average number of employees	38	46
	2023/24	2022/23
	DKK	DKK
2. Depreciation and impairment losses of property, plant and equipment		
Depreciation of property, plant and equipment	764,843	924,688
	764,843	924,688
	2023/24	2022/23
	DKK	DKK
3. Financial income		
Interest received from group enterprises	984,214	540,406
Exchange gains	16,682	51,704
	1,000,896	592,110

Notes to the Financial Statements

	2023/24	2022/23
	DKK	DKK
4. Income tax expense		
Current tax for the year	2,353,467	3,063,763
Deferred tax for the year	-786,000	-29,605
	1,567,467	3,034,158

	2023/24	2022/23
	DKK	DKK
5. Profit allocation		
Proposed dividend for the year	4,100,000	7,300,000
Retained earnings	1,246,331	3,351,666
	5,346,331	10,651,666

6. Property, plant and equipment

	Plant and machinery
	DKK
Cost at 1 October	7,874,636
Additions for the year	44,500
Cost at 30 September	7,919,136
Impairment losses and depreciation at 1 October	5,807,446
Depreciation for the year	764,843
Impairment losses and depreciation at 30 September	6,572,289
Carrying amount at 30 September	1,346,847
Amortised over	2 - 5 years

Notes to the Financial Statements

	2023/24	2022/23
	DKK	DKK
7. Investments in subsidiaries		
Cost at 1 October	1,239,001	1,239,001
Additions for the year	705,000	0
Disposals for the year	-25,126	0
Cost at 30 September	1,918,875	1,239,001
Value adjustments at 1 October	-668,770	-1,925,400
Disposals for the year	25,126	0
Exchange adjustment	18,103	29,326
Net profit/loss for the year	-640,951	1,227,304
Value adjustments at 30 September	-1,266,492	-668,770
Carrying amount at 30 September	652,383	570,231

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Ownership
Oestermark Grouting Australia Pty Ltd	Australia	100%
Oestermark Grouting Australia (QLD) Pty Ltd	Australia	100%
Oestermark Grouting RUS OOO (liquidated in 2023/24)	Russia	90%
Oestermark Grouting Ukraine LLC	Ukraine	100%
Oestermark Grouting US Inc.	USA	100%

8. Other fixed asset investments

	Receivables from group enterprises	Deposits
	DKK	DKK
Cost at 1 October	1,050,000	573,580
Cost at 30 September	1,050,000	573,580
Carrying amount at 30 September	1,050,000	573,580

Notes to the Financial Statements

	2023/24	2022/23
	DKK	DKK
9. Inventories		
Raw materials and consumables	5,529,617	5,514,545
	<u>5,529,617</u>	<u>5,514,545</u>

	2023/24	2022/23
	DKK	DKK
10. Contract work in progress		
Selling price of work in progress	22,923,706	32,569,653
Payments received on account	-22,826,366	-31,816,110
	<u>97,340</u>	<u>753,543</u>
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	457,132	1,375,343
Prepayments received recognised in debt	-359,792	-621,800
	<u>97,340</u>	<u>753,543</u>

11. Prepayments

Prepayments are made up of prepaid costs relating to insurance premiums, subscriptions, etc.

	2023/24	2022/23
	DKK	DKK
12. Provision for deferred tax		
Deferred tax liabilities at 1 October	2,319,000	2,348,605
Amounts recognised in the income statement for the year	-786,000	-29,605
Deferred tax liabilities at 30 September	<u>1,533,000</u>	<u>2,319,000</u>

Notes to the Financial Statements

13. Other provisions

	2023/24 DKK	2022/23 DKK
Other provisions at 1 October	52,999	552,500
Provision in year	92,001	52,999
Employed in year	0	-552,500
	145,000	52,999

The provisions are expected to mature as follows:

Within 1 year	145,000	52,999
After 5 years	0	0
	145,000	52,999

14. Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

	2023/24 DKK	2022/23 DKK
Within 1 year	150,000	124,000
Between 1 and 5 years	51,000	0
	201,000	124,000

The company has entered into a tenancy agreement with an annual rent of TDKK 2,365, which is non-cancellable until 30 April 2033 and thereafter can be terminated with 6 months' notice.

Guarantee obligations

The company has provided self-debtor sureties for intra-group companies' balances with credit institutions up to a maximum of DKK 15 million.

Notes to the Financial Statements

2023/24
DKK

2022/23
DKK

14. Contingent assets, liabilities and other financial obligations

Other contingent liabilities

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

15. Related parties and disclosure of consolidated financial statements

	Basis
Controlling interest	
Østermark Group ApS	Parent Company
Other related parties	
Grouting Maskiner ApS	Sister company
Y-MatTec A/S	Sister company
Y-MatTec Iberia S.L.	Sister company
Oestermark Grouting Australia Pty Ltd	Subsidiary
Oestermark Grouting Australia (QLD) Pty Ltd	Subsidiary
Oestermark Grouting Ukraine LLC	Subsidiary
Oestermark Grouting US Inc.	Subsidiary

Transactions

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

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

Name	Place of registered office
Østermark Group ApS	Holstebro

16. Subsequent events

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

Notes to the Financial Statements

17. Accounting policies

The Annual Report of Østermark Grouting A/S for 2023/24 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.

The Financial Statements for 2023/24 are presented in DKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements for 2023/24 of Østermark Group ApS, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Østermark Group ApS, the Company has not prepared a cash flow statement.

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.

Income statement

Revenue

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

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

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

Expenses for raw materials and consumables

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

Notes to the Financial Statements

Other external expenses

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

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees.

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

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

Income from investments in subsidiaries

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

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

Tax on profit/loss for the year

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

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with Østermark Group ApS. The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

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.

Notes to the Financial Statements

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

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:

Plant and machinery	2-5 years
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The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Investments in subsidiaries

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

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

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

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

Other fixed asset investments

Other fixed asset investments consist of receivables from affiliated companies and deposits.

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 and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of raw materials and consumables equals landed cost.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Notes to the Financial Statements

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 insurance premiums, subscriptions ect.

Equity

Dividend

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

Provisions

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

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

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

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. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, 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.

Deferred tax assets and liabilities are offset within the same legal tax entity.

Notes to the Financial Statements

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 liabilities

Loans, such as loans from credit institutions, 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.

Financial Highlights

Explanation of financial ratios

Return on assets	$\text{Profit/loss of ordinary primary operations} \times 100 / \text{Total assets at year end}$
Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$