

Gas Turbine Services A/S

Murervej 4-6, 6710 Esbjerg V
CVR-nr. 20 58 91 83

Annual Report 2024

1 January - 31 December

The Annual Report has been presented and adopted at the
Company's Annual General Meeting on 20 May 2025

Roy Kjellerup

Contents

Company Details

Company Details	3
-----------------	---

Statement and Report

Management's Statement	4
Independent Auditor's Report	5-7

Management Commentary

Financial Highlights	8
Management Commentary	9-10

Financial Statements 1 January - 31 December

Income Statement	11
Balance Sheet	12-13
Equity	14
Notes	15-19
Accounting Policies	20-24

Company Details

Company	Gas Turbine Services A/S Murervej 4-6 6710 Esbjerg V
	CVR No.: 20 58 91 83 Established: 1 September 1997 Municipality: Esbjerg Financial Year: 1 January - 31 December
Board of Directors	Klaus Kisum Kjær, chairman Nathan Guy Griffiths Robert John Dye Roy Kjellerup
Executive Board	Roy Kjellerup
Auditor	BDO Statsautoriseret revisionsaktieselskab Dokken 8 6700 Esbjerg
Bank	Nykredit Bank Borgergade 38 6700 Esbjerg
Law Firm	DAHL Law Att.: Klaus Kisum Kjær Dokken 10 6700 Esbjerg

Management's Statement

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of Gas Turbine Services A/S for the financial year 1 January - 31 December 2024.

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

In our opinion the Financial Statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2024 and of the results of the Company's operations for the financial year 1 January - 31 December 2024.

The Management Commentary includes in our opinion a fair presentation of the matters dealt with in the Commentary.

We recommend the Annual Report be approved at the Annual General Meeting.

Esbjerg, 19 May 2025

Executive Board

Roy Kjellerup

Board of Directors

Klaus Kisum Kjær
Chairman

Nathan Guy Griffiths

Robert John Dye

Roy Kjellerup

Independent Auditor's Report

To the Shareholder of Gas Turbine Services A/S

Opinion

We have audited the Financial Statements of Gas Turbine Services A/S for the financial year 1 January - 31 December 2024, which comprise income statement, Balance Sheet, statement of changes in equity, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and 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 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 (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

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.*
- Plan and perform the audit of the Financial Statements to obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business units as a basis for forming an opinion on the Financial Statements. We are responsible for the direction, supervision and review of the audit work performed. We remain solely responsible for our audit opinion.*

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.

Independent Auditor's Report

Statement on Management Commentary

Management is responsible for Management Commentary.

Our opinion on the Financial Statements does not cover Management Commentary, 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 Commentary and, in doing so, consider whether Management Commentary 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 Commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management Commentary 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 of Management Commentary.

Esbjerg, 19 May 2025

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Anders Noe
State Authorised Public Accountant
MNE no. mne41367

Financial Highlights

	2024 DKK '000	2023 DKK '000	2022 DKK '000	2021 DKK '000	2020 DKK '000
Income statement					
Gross profit/loss	63.755	44.598	36.965	18.201	15.446
Operating profit/loss before depreciation and amortisation (EBITDA)	50.233	30.091	23.973	6.929	4.273
Operating profit/loss of main activities	48.325	28.954	23.670	6.647	3.825
Financial income and expenses, net	-3.004	-4.090	-1.535	-803	-1.339
Profit/loss for the year before tax	45.325	24.868	22.142	5.858	2.488
Profit/loss for the year	35.352	19.399	17.272	4.566	1.775
Balance sheet					
Total assets	269.300	252.302	204.857	161.636	150.755
Equity	148.658	123.328	103.958	86.710	82.119
Investment in property, plant and equipment	-4.050	-18.045	-719	-162	-19
Key ratios					
Equity ratio	55,2	48,9	50,7	53,6	54,5

The ratios stated in the list of key figures and ratios have been calculated as follows:

Equity ratio:

$$\frac{\text{Equity, at year end} \times 100}{\text{Total equity and liabilities, at year end}}$$

Management Commentary

Principal activities

The company is focused on delivering maintenance support products and services for the Siemens SGT/Ruston range of engines and their associated auxiliary equipment for offshore and onshore installations, in both the CHP and Oil & Gas Industry.

Recognition and measurement

The Company's business strategy is to react rapidly and with precision to provide flexible and tailored maintenance solutions. To support this strategy the Company maintains Strategic Parts stockholding at a significant volume / value, in addition to numerous fully overhauled tested Core engines and strategic components available for immediate delivery.

Stock levels are monitored and maintained to satisfy LTSA commitments, while ensuring sufficient additional stock to support the requirements of customers who prefer transactional / call-off maintenance support.

Stock value depreciation is calculated based on historical purchase prices and measured against management's market value estimates. This depreciation method is unchanged from previous years.

Development in activities and financial and economic position

Profit for the year is 35,220 T.DKK. against 19,399 T.DKK. last year.

Profit/loss for the year compared to the expected development

The management expected a result for 2024 between 18 - 22 mio. DKK. The result for 2024 ended up being better than expected, due to higher sales than expected.

Significant events after the end of the financial year

No events have occurred after the end of the financial year of material importance for the company's financial position.

Special risks

Purchases and Sales are limited to a few foreign currencies. Currency risk is minimised, where possible, by specific purchases and onward sales being transacted in the same currency.

Employees

In order to continuously provide high-quality services it is important that the Company is able to recruit and retain personnel with specific technical knowledge. The Company's objective is to always have the highest level of technical knowledge, with a view to ensuring a high capacity for flexibility.

Succession planning is implemented for existing employees and experienced new employees are acquired. Existing employees are encouraged and trained to take on additional responsibilities or roles and new employees bring additional knowledge and expertise into the organization.

Management Commentary

Future expectations

The management anticipates profit for 2025 between 30 - 35 mio. DKK

QHSE Performance

The Company aim is to exceed our customer's expectations by continually improving on performance and quality, while ensuring our operations are executed at all times in compliance with our internal QHSE procedures and relevant legal and regulatory requirements.

Income Statement 1 January - 31 December

	Note	2024 DKK	2023 DKK '000
Gross profit		63.754.717	44.598
Staff costs	1	-13.552.024	-14.505
Depreciation, amortisation and impairment losses		-1.907.791	-1.137
Other operating expenses		30.148	-2
Operating profit		48.325.050	28.954
Income from investments in subsidiaries	2	3.831	4
Income from other equity investments and securities		-19.441	0
Other financial income	3	2.376.660	1.367
Other financial expenses	4	-5.361.476	-5.457
Profit before tax		45.324.624	24.868
Tax on profit/loss for the year	5	-9.972.517	-5.469
Profit for the year	6	35.352.107	19.399

Balance Sheet at 31 December

Assets

	Note	2024 DKK	2023 DKK '000
Other plant, fixtures and equipment		18.732.289	17.797
Tangible fixed assets in progress and prepayment		1.207.139	0
Property, plant and equipment	7	19.939.428	17.797
Equity investments in group enterprises		408.792	426
Financial non-current assets	8	408.792	426
Non-current assets		20.348.220	18.223
<hr/>			
Work in progress		28.914.924	51.713
Finished goods and goods for resale		117.844.791	93.005
Inventories	9	146.759.715	144.718
Trade receivables		35.499.604	29.327
Contract work in progress	10	0	1.264
Receivables from group enterprises		62.179.765	52.943
Deferred tax assets	11	34.883	3.005
Other receivables		2.406.476	12
Corporation tax receivable		251.480	470
Prepayments and accrued income	12	172.081	162
Receivables	13	100.544.289	87.183
Cash and cash equivalents		1.647.500	2.178
Current assets		248.951.504	234.079
<hr/>			
Assets		269.299.724	252.302
<hr/>			

Balance Sheet at 31 December

Equity and liabilities

	Note	2024 DKK	2023 DKK '000
Share capital	14	4.300.000	4.300
Reserve for net revaluation according to equity value		300.969	318
Retained earnings		114.057.419	118.710
Proposed dividend		30.000.000	0
Equity		148.658.388	123.328
<hr/>			
Bank loan		13.641.339	25.222
Other liabilities		820.496	814
Non-current liabilities	15	14.461.835	26.036
Bank debt		56.472.575	59.286
Prepayments received concerning work in progress		6.134.045	17.225
Prepayments received from customers		10.206.612	1.643
Trade payables		12.891.363	8.825
Payables to group enterprises		848.418	1.368
Payables to owners and management		3.766	0
Corporation tax		7.001.982	7.561
Other liabilities		2.147.396	2.619
Accruals and deferred income	16	10.473.344	4.411
Current liabilities		106.179.501	102.938
Liabilities		120.641.336	128.974
<hr/>			
Equity and liabilities		269.299.724	252.302
<hr/>			
Contingencies etc.	17		
Charges and securities	18		
Related parties	19		
Information on recognition and measurement	20		
Consolidated Financial Statements	21		

Equity

DKK	Share capital	Reserve for net revaluation acc. to equity value	Retained earnings	Proposed dividend	Total
Equity at 1 January 2024	4.300.000	318.486	118.709.143	0	123.327.629
Proposed profit allocation, see note 6		3.831	-4.651.724	40.000.000	35.352.107
Transactions with owners					
Extraordinary dividend paid				-10.000.000	-10.000.000
Other legal bindings					
Foreign exchange adjustments		-21.348			-21.348
Equity at 31 December 2024	4.300.000	300.969	114.057.419	30.000.000	148.658.388

Notes

	2024 DKK	2023 DKK '000
1 Staff costs		
Average number of full time employees	21	22
Wages and salaries	12.273.911	13.157
Pensions	1.069.742	1.127
Social security costs	208.371	221
	13.552.024	14.505
Information on management remuneration has been omitted in accordance with the exception provision in the Danish Financial Statements Act, section 98 b, subsection 3, no. 2.		
2 Income from investments in subsidiaries		
Income from investments in subsidiaries	3.831	4
	3.831	4
3 Other financial income		
Group enterprises	1.952.818	1.328
Other interest income	423.842	39
	2.376.660	1.367
4 Other financial expenses		
Group enterprises	12.101	13
Other interest expenses	5.349.375	5.444
	5.361.476	5.457
5 Tax on profit/loss for the year		
Calculated tax on taxable income of the year	7.001.982	7.561
Adjustment of deferred tax	2.970.535	-2.092
	9.972.517	5.469
6 Proposed distribution of profit		
Proposed dividend for the year	30.000.000	0
Extraordinary dividend	10.000.000	0
Allocation to reserve for net revaluation acc. to equity value	3.831	4
Retained earnings	-4.651.724	19.395
	35.352.107	19.399

Notes

7 | Property, plant and equipment

DKK	Other plant, fixtures and equipment	Tangible fixed assets in progress and prepayment
Cost at 1 January 2024	25.864.388	0
Additions	2.842.809	1.207.139
Cost at 31 December 2024	28.707.197	1.207.139
Depreciation and impairment losses at 1 January 2024	8.067.118	0
Depreciation for the year	1.907.790	
Depreciation and impairment losses at 31 December 2024	9.974.908	0
Carrying amount at 31 December 2024	18.732.289	1.207.139

8 | Financial non-current assets

DKK	Equity investments in group enterprises
Cost at 1 January 2024	103.440
Cost at 31 December 2024	103.440
Revaluation at 1 January 2024	322.869
Exchange adjustment	-21.348
Revaluation and impairment losses for the year	3.831
Revaluation at 31 December 2024	305.352
Carrying amount at 31 December 2024	408.792

Investments in subsidiaries (DKK)

Name and domicil	Equity	Profit/loss for the year	Ownership
Gas Turbine Services Norway AS, Norway	408.792	3.831	100 %

9 | Inventories

	2024 DKK	2023 DKK '000
Work in progress	28.914.924	51.713
Finished goods and goods for resale	117.844.791	93.005
	146.759.715	144.718

Notes

	2024 DKK	2023 DKK '000
10 Contract work in progress		
Sales value of completed production	0	1.264
Contract work in progress, net	0	1.264
<hr/>		
Contract work in progress		
Contract work in progress (asset)	0	1.264
	0	1.264

11 | Deferred tax assets

Provision for deferred tax comprises deferred tax on contract work in progress, inventory and intangible and tangible fixed assets.

	2024 DKK	2023 DKK '000
Deferred tax assets, beginning of year	3.005.418	913
Deferred tax of the year, income statement	-2.970.535	2.092
Deferred tax assets 31 December 2024	34.883	3.005

The company's deferred tax asset is recognized in the balance sheet with DKK 35 thousand. The tax asset is recognized on the basis of the expectations for the coming year. The deferred tax asset consist of shifts in relation to the accounting and tax values of property, plant and equipment and work in progress.

	2024 DKK	2023 DKK '000
12 Prepayments and accrued income		
Costs	172.081	162
	172.081	162
<hr/>		
13 Receivables falling due after more than one year		
Deferred tax assets	140.843	531
	140.843	531

Notes

	2024 DKK	2023 DKK '000
14 Share capital		
Allocation of Share capital:		
A-shares, 1 unit in the denomination of 4.300.000 DKK	4.300.000	4.300
	4.300.000	4.300

15 | Long-term liabilities

DKK	31/12 2024 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2023 total liabilities
Bank loan	22.041.339	8.400.000	1.200.000	25.222.491
Other liabilities	839.389	18.893	746.755	875.730
	22.880.728	8.418.893	1.946.755	26.098.221

16 | Accruals and deferred income

Accruals and deferred income consists prepaid income which relates to the financial year 2025.

17 | Contingencies etc.

Contingent liabilities

The Company's bank have issued performance guarantees to third party for a total amount of 3.147 T.DKK.

The company has provided unlimited security for associated companies debts to banks. The associated companies bank loans are total 10,536 T.DKK.

The company has entered into lease obligations and finance leases. The total contingent liabilities relating to these are 334 T.DKK.

Joint liabilities

The Company is jointly and severally liable together with the Parent Company and the other group companies in the joint taxable group for tax on the group's joint taxable income and for certain possible withholding taxes, such as dividend tax, etc.

Tax payable on the Group's joint taxable income is stated in the annual report of HKJ Group A/S, which serves as management Company for the joint taxation.

Notes

18 | Charges and securities

As collateral for bank debt of 70,114 T.DKK., the company has pledged a nominal value of 75,000 T.DKK. The company mortgage comprises the following assets, whose carrying amount at the balance sheet date is:

	T.DKK
Other plant, fixtures and equipment	19.939
Inventories	146.591
Trade receivables	35.500

19 | Related parties

The Company's related parties include:

Controlling interest

European Support Services (UK) Ltd., United Kingdom, is the principal shareholder.

Transactions with related parties

The company did not carry out any material transactions that were not concluded on market conditions. According to section 98c, subsection 7 of the Danish Financial Statements Act information is given only on transactions that were not performed on common market conditions.

20 | Information on recognition and measurement

The company's and the Group's business strategy is to be able to offer fast and flexible deliveries, which is why the company has built up a strategic inventory that is of considerable value.

Write-downs have been made in relation to the company's historical purchase prices based on management's estimates. The write-down methods used are unchanged from previous years.

21 | Consolidated Financial Statements

The company is included in the consolidated financial statements of HKJ Group A/S as the parent company, Murervej 4-6, 6710 Esbjerg V., CVR no. 27 96 75 74.

Accounting Policies

The Annual Report of Gas Turbine Services A/S for 2024 has been presented in accordance with the provisions of the Danish medium-size Financial Statements Act for enterprises in reporting class C .

The Annual Report is prepared consistently with the accounting principles applied last year.

Comparative figures

The comparative figures in the Income Statement are not comparable with the current year because last year's figures cover a transition period of five months while the current year covers 12 months.

Consolidated Financial Statements

Consolidated financial statements have not been prepared because the group fulfils the exemption provisions of section 112 of the Danish Financial Statements Act on sub-groups. The company is included in the consolidated financial statements of HKJ Group A/S, Murervej 4-6, 6700 Esbjerg , CVR No. 27 96 75 74

Income Statement

Net revenue

Net revenue from sale of merchandise and finished goods is recognised in the income statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

Where products with a high degree of individual adjustments are delivered, recognition in net revenue is made as and when the production progresses, the net revenue being equal to the sales value of the work performed for the year (the production method). This method is applied when the total costs and expenses regarding the contract and the degree of completion at the balance sheet date can be reliably assessed, and it is likely that the financial benefits will flow to the company.

Revenue is summarized with costs in accordance with section 32 of the Danishe Statements Act.

Net revenue is recognised exclusive of VAT and less duties and discounts related to the sale.

Cost of sales

Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

Accounting Policies

Other operating income

Other operating income includes items of a secondary nature in relation to the Group's and the Company's activities, including profit from sale of intangible and tangible fixed assets. In addition, profit from sale of intangible and tangible fixed assets as well as business interruption and conflict compensations are included. Compensations are recognised when the income is deemed to be realisable.

Other external expenses

Other external expenses include cost of sales, advertising, administration, buildings, bad debts, lease expenses, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the company's employees. Repayments from public authorities are deducted from staff costs.

Other operating expenses

Other operating expenses include items of a secondary nature in relation to the enterprises' principal activities, including loss from sale of intangible and tangible fixed assets.

Income from investments in subsidiaries

The income statement of the parent company recognises the proportional share of the results of each subsidiary after full elimination of intercompany profits/losses and deduction of amortisation of goodwill.

In connection with transfers, potential profits are recognised when the economic rights related to the sold equity interests are transferred, however, at the earliest when the profit has been realised or is regarded as realisable. Moreover, realised losses other than impairments are included where identified.

Income from other investments

Income from other investments include interest income, realised and unrealised exchange gains and losses.

Financial income and expenses

Financial income and expenses include interest income and expenses, financial expenses of finance leases, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

Tax

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

Accounting Policies

Balance Sheet

Tangible fixed assets

Other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used. As regards self-manufactured assets, the cost price includes cost of materials, components, subcontractors, direct payroll and indirect production costs.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life
Other plant, fixtures and equipment	3-15 years
Leasehold improvements	3-5 years

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Financial non-current assets

Investments in are measured in the company's balance sheet under the equity method.

Investments in are measured in the balance sheet at the proportional share of the enterprises' carrying equity value, calculated in accordance with the parent company's accounting policies with deduction or addition of unrealised intercompany profits or losses and with addition or deduction of the residual value of positive or negative goodwill

The combination method is applied when acquiring enterprises within the Group, where the combination is regarded as completed at the date of acquisition, and by using the carrying amounts of the assets and liabilities acquired.

Net revaluation of investments in subsidiaries and associates is transferred under the equity to reserve for net revaluation under the equity value method to the extent that the carrying amount exceeds the acquisition value.

Profit and loss at disposal of investments in subsidiaries are determined as the difference between the net selling price and the carrying amount of the disposed investment at the time of sale, including non-depreciated excess values and goodwill. Profit and loss are recognised in the Income Statement under income from investments.

Subsidiaries with a negative carrying equity value are measured to DKK 0 and any amounts due from these enterprises are written down by the company's share of the negative equity to the extent that it is deemed to be irrecoverable. If the carrying negative equity value exceeds receivables, the residual amount is recognised under provision for liabilities to the extent that the company's has a legal or actual liability to cover the subsidiaries deficit.

Impairment of fixed assets

The carrying amount of tangible assets are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

Accounting Policies

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the recoverable amount is lower than the carrying amount, the asset is written down to the carrying amount.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

Inventories

Inventories are measured at cost using the FIFO-principle. If the net realisable value is lower than cost, the inventories are written down to the lower value.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The cost of finished goods and work in progress includes cost of raw materials, consumables, direct payroll cost and indirect production cost. Indirect production costs include indirect materials and payroll and maintenance and depreciation of the machines, factory buildings and equipment used in the production process, cost of factory administration and management and capitalised development costs relating to the products.

The net realisable value of inventories is stated at sales price less completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price.

Receivables

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

Write-off is performed to provide for losses when an objective indication has been assessed to have incurred that a receivable or a portfolio of receivables are impaired. If there is an objective indication that an individual receivable is impaired, the write-off is performed at individual level.

Receivables for which there are no objective indication of impairment at individual level are assessed at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' registered office and credit rating in accordance with the Company's policy for credit risk management. The objective indicators, which are applied for portfolios, are determined based on the historical loss experiences.

Write-off is determined as the difference between the carrying amount of receivables and the present value of the expected cash flows, including realisable value of any received collaterals. The effective interest rate is used as discount rate for the single receivable or portfolio.

Contract work in progress

Contract work in progress includes service contracts. Work in progress on contract is measured at the sales value of the work performed. The sales value is measured on the basis of the degree of completion on the balance sheet date and the total anticipated revenue related to the specific piece of work in progress.

Anticipated costs to fulfill the service contracts is recognised in the income statement lineary for the period of the service contract.

The specific piece of work in progress is recognised in the Balance Sheet as receivables or payables, depending on the net value of the selling price less progress invoicing and progress payments.

Accruals, assets

Accruals recognised as assets include costs incurred relating to the subsequent financial year.

Accounting Policies

Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

The company is subject to joint taxation with Danish group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the tax-on-account scheme. Joint taxation contributions receivable and payable are recognised in the balance sheet under current assets and liabilities, respectively.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Liabilities

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the Income Statement over the term of loan.

Amortised cost for short-term liabilities usually corresponds to the nominal value.

Accruals, liabilities

Accruals recognised as liabilities include payments received regarding income in subsequent years.

Cash Flow Statement

With reference to Section 86(4) of the Danish Financial Statements Act, the company has not prepared a cash flow statement. A cash flow statement has been prepared for the Group.