

---

# *Envikraft Invest A/S*

## Annual Report for 1 July 2013 - 30 June 2014

---

CVR No 31 08 24 98

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
28/11 2014

Jacob Østergaard  
Bergenholtz  
Chairman



# Contents

	<u>Page</u>
<b>Management's Statement and Auditor's Report</b>	
Management's Statement	1
Independent Auditor's Report on the Financial Statements and the Consolidated Financial Statements	2
<b>Management's Review</b>	
Company Information	4
Group Chart	5
Financial Highlights	6
Management's Review	7
<b>Consolidated and Parent Company Financial Statements</b>	
Income Statement 1 July - 30 June	10
Balance Sheet 30 June	11
Statement of Changes in Equity	13
Cash Flow Statement 1 July - 30 June	14
Notes to the Annual Report	16
Accounting Policies	28

# Management's Statement

The Executive and Supervisory Boards have today considered and adopted the Annual Report of Envikraft Invest A/S for the financial year 1 July 2013 - 30 June 2014.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 30 June 2014 of the Company and the Group and of the results of the Company and Group operations and cash flows for 2013/14.

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

Odense, 28 November 2014

## Executive Board

Michael Engsted

Ole Sodtmann Bundgaard

## Board of Directors

Jacob Østergaard Bergenholtz  
Chairman

Leif Østergaard Nielsen

Lars Thorsgaard Jensen

Niels Lykke Graugaard

# **Independent Auditor's Report on the Financial Statements and the Consolidated Financial Statements**

To the Shareholders of Envikraft Invest A/S

## **Report on the Financial Statements and the Consolidated Financial Statements**

We have audited the Financial Statements and the Consolidated Financial Statements of Envikraft Invest A/S for the financial year 1 July 2013 - 30 June 2014, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement, notes and summary of significant accounting policies. The Financial Statements and the Consolidated Financial Statements are prepared in accordance with the Danish Financial Statements Act.

### **Management's Responsibility for the Financial Statements and the Consolidated Financial Statements**

Management is responsible for the preparation of Financial Statements and the Consolidated 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 and Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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

Our audit has not resulted in any qualification.

# **Independent Auditor's Report on the Financial Statements and the Consolidated Financial Statements**

## **Opinion**

In our opinion, the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position of the Company and the Group at 30 June 2014 and of the results of the Company and the Group operations and cash flows for the financial year 1 July 2013 - 30 June 2014 in accordance with the Danish Financial Statements Act.

## **Statement on Management's Review**

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements and the Consolidated Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements and the Consolidated Financial Statements.

Odense, 28 November 2014

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

Line Hedam  
State Authorised Public Accountant

Brian Petersen  
State Authorised Public Accountant

## **Company Information**

### **The Company**

Envikraft Invest A/S  
Industrivej 9  
DK-5260 Odense S

CVR No: 31 08 24 98  
Financial period: 1 July - 30 June  
Municipality of reg. office: Odense

### **Supervisory Board**

Jacob Østergaard Bergenholtz, Chairman  
Leif Østergaard Nielsen  
Lars Thorsgaard Jensen  
Niels Lykke Graugaard

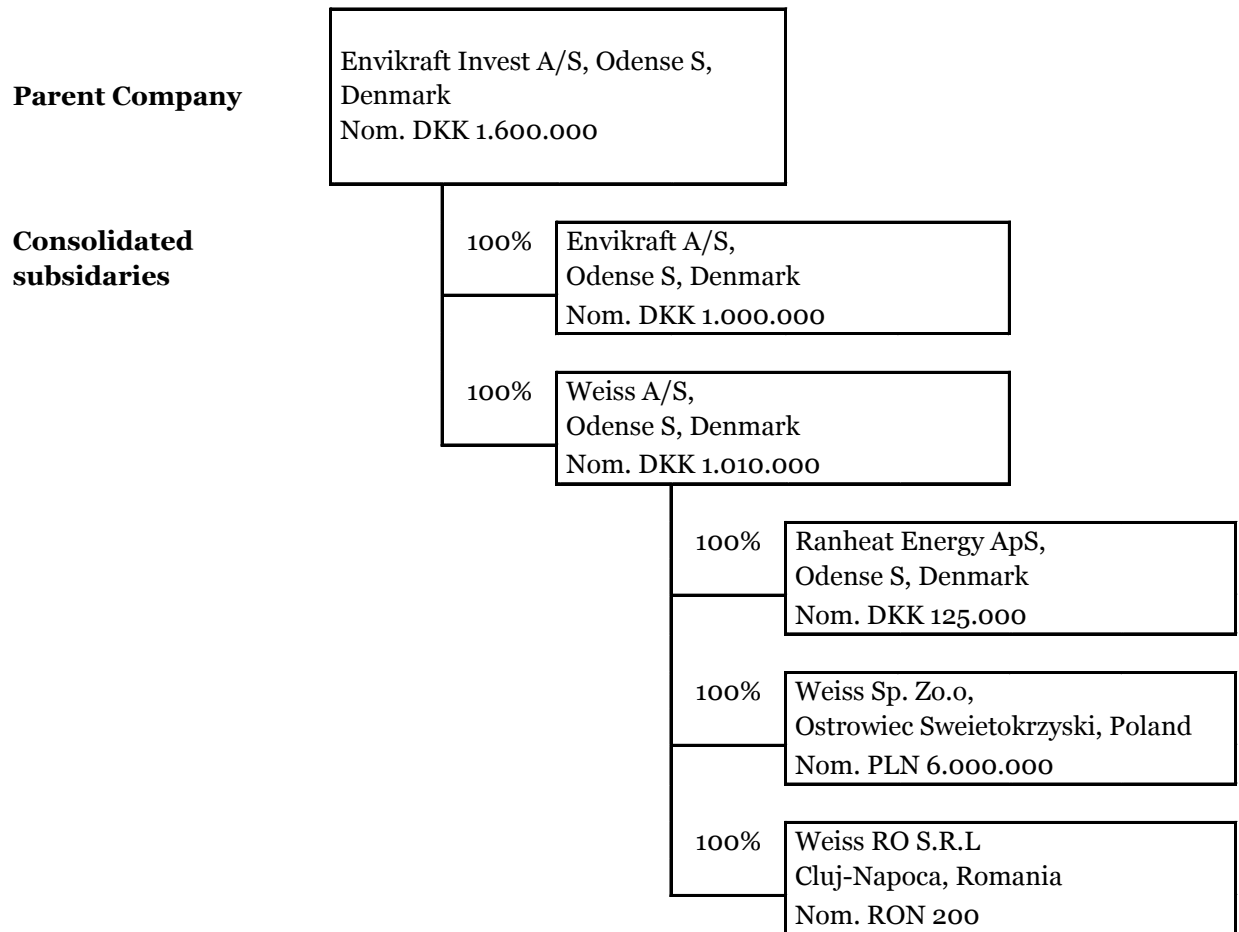
### **Executive Board**

Michael Engsted  
Ole Sodtmann Bundgaard

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Rytterkasernen 21  
Postboks 370  
DK-5100 Odense C

## Group Chart



## Financial Highlights

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

	<b>Group</b>				
	2013/14	2012/13	2011/12	2010/11	2009/10
	TDKK	TDKK	TDKK	TDKK	TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	380.884	295.234	281.691	295.329	129.193
Gross profit/loss	55.775	4.513	15.907	39.861	22.935
Profit/loss before financial income and expenses	3.288	-45.244	-27.673	20.632	14.937
Net financials	-5.552	-6.100	-3.466	-3.003	1.280
Net profit/loss for the year	-3.218	-36.623	-23.474	13.118	12.471
<b>Balance sheet</b>					
Balance sheet total	249.329	162.578	141.486	150.231	103.072
Equity	39.343	-42.022	-4.991	18.746	5.485
Investment in property, plant and equipment	5.563	33.407	24.571	4.786	322
Number of employees	241	224	190	45	71
<b>Ratios</b>					
Gross margin	14,6%	1,5%	5,6%	13,5%	17,8%
Profit margin	0,9%	-15,3%	-9,8%	7,0%	11,6%
Return on assets	1,3%	-27,8%	-19,6%	13,7%	14,5%
Solvency ratio	15,8%	-25,8%	-3,5%	12,5%	5,3%
Return on equity	N/A	N/A	N/A	108,3%	227,4%

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

# Management's Review

## Main activity

The Group's main activity involves design, production, mounting and commissioning of combustion plants, where the fuel consists of different types of biomass and waste material.

Sales are done globally with Denmark and the rest of Scandinavia as the main markets. Weiss A/S is the primary sales company of the Envikraft Invest Group, and Weiss A/S is also undertaking the production in either Odense or through the subsidiary situated in Ostrowiec, Poland.

Our customers comprise both public and private enterprises. Approximately 90% of revenue for the year is generated in the EU and the Danish market makes up approximately half of this. The remaining approximately 10% of revenue originates from markets outside the EU.

## Development in the year

Revenue for the year amounts to DKK 380.9 million compared to DKK 295.2 million last year, which corresponds to an increase of 29%. Operating loss before tax amounts to DKK 2.3 million compared to a loss of DKK 51.3 million last year. In the financial year 2013/14, substantial unexpected cost was incurred related to projects and obligations from earlier years. Since these related to previous years, the results for 2013/14 have been adjusted, and we refer to the mention of the correction of fundamental errors under accounting policies.

The shares in Envikraft Invest A/S were sold to Odin Equity Partners in November 2013, and this sale marked the beginning of a lot of change initiatives with the aim of getting a more focused, better structured and more profitable group.

These change initiatives are described in the Strategy 2017, which started being implemented in the spring of 2014.

The relatively modest profit for the year 2013/14 is caused partly by unsatisfactory earnings on on-going older projects and partly by extraordinary costs related to the implementation of the initiatives in Strategy 2017 on the organizational area – undertakings, which will continue along with the strategy-implementation.

Together with organizational changes coming from the implementation of the strategy, the year also saw further build-up of the capacity in the new factory in Poland, a much more focused sales effort and the discontinuation of loss-making business areas.

## Changes in management

In connection with the investment made by Odin Equity Partners, Michael Engsted was appointed new CEO and Ole Bundgaard appointed as new CFO in the financial year 2013/14.

# Management's Review

## Corporate Social Responsibility

For the time being, the group has no policy on Corporate Social Responsibility (CSR), since other areas have had a higher priority given the current situation.

## The under-represented gender

The group is covered of The Danish Financial Statements Act §99b regarding the under-represented gender.

It is the policy of the group to employ the best qualified board members irrespective of the gender distribution.

The group has no intention to discriminate in any way, but has for the time being no plans for achieving gender balance of 60/40% - the current target for the under-represented gender is therefore 0%, and since the supervisory board consists of males, the group is in compliance.

On the different management levels in the group, it is also the policy to employ the best qualified people irrespective of gender. It is also the policy to give these the same rights, opportunities and conditions related to their employment. Employments in the financial year have been in compliance with the policy.

## Expectation for the years ahead

There is a lot of focus on renewable energy, and this increasing demand forms a good basis for a gradual increase of the turnover of the Group in the coming years. Management is confident that during the next couple of years the Group will be able to improve profitability through a combination of growth, product development, efficiency improvements and structural changes.

## Special risks - operating risks and financial risks

Initiatives have been implemented aimed at identifying and minimizing the Group's commercial and operating risks. It is the intention to intensify this work in the years ahead, so that future risks related to the Group's activities are identified, assessed and prioritized on a current basis to avoid any future events that may have a significantly negative impact on the overall financial targets of the Group.

## *Foreign exchange risks*

All sales contracts are concluded at a fixed price, but hedging is made by obtaining, where possible, offers for all significant components prior to signing a sales contract. If possible, all sales agreements are concluded in DKK or EUR, which is considered to minimize foreign exchange risks. The exposure towards other currencies is hedged based on an individual assessment, and foreign exchange positions are not concluded for speculative purposes.

Exchange adjustments of investments in independent subsidiaries and associates are recognized directly in equity. The related foreign exchange risks are generally not hedged as in the Group's opinion, ongoing

## **Management's Review**

hedging of such long term investments is not optimal based on an overall risk and cost consideration.

### ***Interest rate risks***

The Group has concluded interest rate positions to hedge the interest rate risks on floating rate mortgages, which fix the interest rate at an acceptable level during the term of the loan.

### **Research and development**

In recent years, the Group has participated in various development activities. The related costs have not been capitalized in the prepared Financial Statements, which has contributed to the unsatisfactory results. The Group has chosen not to capitalize any part of the development costs incurred - this is not because we do not expect to utilize some of the knowledge achieved for commercial purposes, but primarily because it has not been possible to state the value of such knowledge with sufficient reliability.

New development projects have been granted within the last year to optimize the Weiss product portfolio, with special emphasis on emission control and energy output as well as operational efficiency.

### **External environment**

The Group's activities have no material impact on the external environment. It appears from the current authorities approvals, that the Group is considered to have taken the measures necessary to prevent and limit any pollution by using the best cleaning technique available to metal working enterprises. The Group expects to be able to carry out the activities planned, including planned growth, within the framework of the current environmental approvals.

### **Intellectual capital resources**

The Group is dependent on having satisfied and motivated employees. As the Group's critical business processes consist of individual solutions, two categories of employees are of special importance: employees with competences in the design of combustion plants based on a high variety of fuels and competent project managers, who are able to manage projects from sale to final delivery. It is also important that employees in the production areas are highly qualified and focused on quality.

In the next couple of years, the Group will focus on retaining and developing our present employees and on recruiting new employees with the necessary competences.

### **Subsequent events**

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

## Income Statement 1 July - 30 June

	Note	Group		Parent Company	
		2013/14 DKK	2012/13 DKK	2013/14 DKK	2012/13 DKK
<b>Revenue</b>	1	<b>380.883.695</b>	<b>295.233.793</b>	<b>0</b>	<b>0</b>
Cost of sales		-325.109.133	-290.720.445	0	0
<b>Gross profit/loss</b>		<b>55.774.562</b>	<b>4.513.348</b>	<b>0</b>	<b>0</b>
Distribution expenses		-14.267.969	-7.473.831	0	0
Administrative expenses		-38.246.241	-42.450.309	-138.450	-5.750
<b>Operating profit/loss</b>		<b>3.260.352</b>	<b>-45.410.792</b>	<b>-138.450</b>	<b>-5.750</b>
Other operating income		933.463	456.313	0	0
Other operating expenses		-905.729	-289.182	0	0
<b>Profit/loss before financial income and expenses</b>		<b>3.288.086</b>	<b>-45.243.661</b>	<b>-138.450</b>	<b>-5.750</b>
Income from investments in subsidiaries	2	0	0	-4.985.894	-22.396.824
Financial income	3	3.660.876	3.995.461	638.640	727.048
Financial expenses	4	-9.212.873	-10.095.329	-1.278.043	-1.367.132
<b>Profit/loss before tax</b>		<b>-2.263.911</b>	<b>-51.343.529</b>	<b>-5.763.747</b>	<b>-23.042.658</b>
Tax on profit/loss for the year	5	-954.354	14.720.168	368.890	155.500
<b>Net profit/loss for the year</b>		<b>-3.218.265</b>	<b>-36.623.361</b>	<b>-5.394.857</b>	<b>-22.887.158</b>

## Distribution of profit

### Proposed distribution of profit

Retained earnings		-3.218.265	-36.623.361	-5.394.857	-22.887.158
		<b>-3.218.265</b>	<b>-36.623.361</b>	<b>-5.394.857</b>	<b>-22.887.158</b>

# Balance Sheet 30 June

## Assets

	Note	Group		Parent Company	
		2013/14	2012/13	2013/14	2012/13
		DKK	DKK	DKK	DKK
Completed development projects		0	0	0	0
Acquired licenses		364.163	0	0	0
<b>Intangible assets</b>	<b>6</b>	<b>364.163</b>	<b>0</b>	<b>0</b>	<b>0</b>
Land and buildings		52.612.189	52.375.248	0	0
Plant and machinery		6.490.138	6.097.935	0	0
Other fixtures and fittings, tools and equipment		1.410.348	938.498	0	0
<b>Property, plant and equipment</b>	<b>7</b>	<b>60.512.675</b>	<b>59.411.681</b>	<b>0</b>	<b>0</b>
Investments in subsidiaries	8	0	0	78.893.493	0
Other receivables	9	212.666	269.217	0	0
<b>Fixed asset investments</b>		<b>212.666</b>	<b>269.217</b>	<b>78.893.493</b>	<b>0</b>
<b>Fixed assets</b>		<b>61.089.504</b>	<b>59.680.898</b>	<b>78.893.493</b>	<b>0</b>
Raw materials and consumables		12.447.232	10.684.910	0	0
<b>Inventories</b>		<b>12.447.232</b>	<b>10.684.910</b>	<b>0</b>	<b>0</b>
Trade receivables		10.012.085	8.957.963	0	0
Contract work in progress	10	107.958.997	42.511.769	0	0
Receivables from group enterprises		0	0	3.530.564	5.448.379
Other receivables		31.123.351	7.618.624	0	0
Deferred tax asset		14.410.784	17.444.969	595.339	134.607
Corporation tax		3.391.719	0	0	0
Prepayments		1.026.994	1.777.556	0	0
<b>Receivables</b>		<b>167.923.930</b>	<b>78.310.881</b>	<b>4.125.903</b>	<b>5.582.986</b>
<b>Cash at bank and in hand</b>		<b>7.868.654</b>	<b>13.900.938</b>	<b>161.767</b>	<b>97.894</b>
<b>Currents assets</b>		<b>188.239.816</b>	<b>102.896.729</b>	<b>4.287.670</b>	<b>5.680.880</b>
<b>Assets</b>		<b>249.329.320</b>	<b>162.577.627</b>	<b>83.181.163</b>	<b>5.680.880</b>

# Balance Sheet 30 June

## Liabilities and equity

	Note	Group		Parent Company	
		2013/14 DKK	2012/13 DKK	2013/14 DKK	2012/13 DKK
Share capital		1.600.000	1.600.000	1.600.000	1.600.000
Retained earnings		37.742.666	-43.621.744	49.302.277	-29.885.541
<b>Equity</b>	12	<b>39.342.666</b>	<b>-42.021.744</b>	<b>50.902.277</b>	<b>-28.285.541</b>
Provisions relating to investments in group enterprises		0	0	5.746.503	6.929.791
Other provisions	13	28.971.383	23.558.380	0	0
<b>Provisions</b>		<b>28.971.383</b>	<b>23.558.380</b>	<b>5.746.503</b>	<b>6.929.791</b>
Subordinate loan capital	11	17.033.625	16.222.500	17.033.625	16.222.500
Mortgage loans		8.715.022	9.921.799	0	0
Credit institutions		20.997.943	21.397.064	0	0
<b>Long-term debt</b>	14	<b>46.746.590</b>	<b>47.541.363</b>	<b>17.033.625</b>	<b>16.222.500</b>
Mortgage loans	14	1.198.071	1.182.928	0	0
Credit institutions	14	35.528.315	37.345.293	0	2.000.000
Trade payables		58.776.323	60.613.068	15.322	0
Prepayments received recognised in debt	10	21.648.191	20.495.688	0	0
Payables to group enterprises		0	0	9.246.839	8.803.129
Corporation tax		0	10.447	91.842	0
Other payables		17.117.781	13.852.204	144.755	11.001
<b>Short-term debt</b>		<b>134.268.681</b>	<b>133.499.628</b>	<b>9.498.758</b>	<b>10.814.130</b>
<b>Debt</b>		<b>181.015.271</b>	<b>181.040.991</b>	<b>26.532.383</b>	<b>27.036.630</b>
<b>Liabilities and equity</b>		<b>249.329.320</b>	<b>162.577.627</b>	<b>83.181.163</b>	<b>5.680.880</b>
Contingent assets, liabilities and other financial obligations	15				
Staff	16				
Fee to auditors appointed at the general meeting	17				
Related parties and ownership	18				

## Statement of Changes in Equity

### Group

	<u>Share capital</u>	<u>Retained</u> <u>earnings</u>	<u>Total</u>
	DKK	DKK	DKK
Equity at 1 July	1.600.000	-16.791.045	-15.191.045
Net effect from adjustment of fundamental error	0	-26.830.699	-26.830.699
Adjusted equity at 1 July	1.600.000	-43.621.744	-42.021.744
Dissolution of previous years' revaluation	0	47.657	47.657
Exchange adjustments relating to foreign entities	0	795.202	795.202
Fair value adjustment of hedging instruments, end of year	0	-333.570	-333.570
Tax on adjustment of hedging instruments for the year	0	73.386	73.386
Group contribution	0	84.000.000	84.000.000
Net profit/loss for the year	0	-3.218.265	-3.218.265
<b>Equity at 30 June</b>	<b>1.600.000</b>	<b>37.742.666</b>	<b>39.342.666</b>

### Parent Company

Equity at 1 July	1.600.000	-9.713.884	-8.113.884
Net effect from adjustment of fundamental error	0	-20.171.657	-20.171.657
Adjusted equity at 1 July	1.600.000	-29.885.541	-28.285.541
Dissolution of previous years' revaluation	0	47.657	47.657
Exchange adjustments relating to foreign entities	0	795.202	795.202
Fair value adjustment of hedging instruments, end of year	0	-333.570	-333.570
Tax on adjustment of hedging instruments for the year	0	73.386	73.386
Group contribution	0	84.000.000	84.000.000
Net profit/loss for the year	0	-5.394.857	-5.394.857
<b>Equity at 30 June</b>	<b>1.600.000</b>	<b>49.302.277</b>	<b>50.902.277</b>

## Cash Flow Statement 1 July - 30 June

	Note	Group		Parent Company	
		2013/14 DKK	2012/13 DKK	2013/14 DKK	2012/13 DKK
Net profit/loss for the year		-3.218.265	-36.623.361	-5.394.857	-22.887.158
Adjustments	19	11.372.739	-5.857.452	5.256.407	22.881.408
Change in working capital	20	-59.977.536	47.192.730	1.586.891	-1.766.402
<b>Cash flows from operating activities before financial income and expenses</b>		<b>-51.823.062</b>	<b>4.711.917</b>	<b>1.448.441</b>	<b>-1.772.152</b>
Financial income		3.660.876	3.995.461	638.640	727.048
Financial expenses		-9.212.875	-10.095.327	-1.278.043	-1.367.132
<b>Cash flows from operating activities</b>		<b>-57.375.061</b>	<b>-1.387.949</b>	<b>809.038</b>	<b>-2.412.236</b>
Purchase of intangible assets		-487.524	0	0	0
Purchase of property, plant and equipment		-5.562.922	-33.406.977	0	0
Fixed asset investments made etc		0	0	-60.000.000	-5.000.000
<b>Cash flows from investing activities</b>		<b>-6.050.446</b>	<b>-33.406.977</b>	<b>-60.000.000</b>	<b>-5.000.000</b>
Repayment of mortgage loans		-1.191.635	0	0	0
Repayment of loans from credit institutions		-2.216.100	0	-2.000.000	-2.000.000
Repayment of payables to group enterprises		-10.167	0	0	0
Repayment of payables to associates		0	-1.000.000	0	0
Raising of mortgage loans		0	1.610.064	0	0
Raising of loans from credit institutions		0	28.351.355	0	0
Raising of loans from group enterprises		0	0	443.710	2.072.334
Raising of other long-term debt		811.125	7.222.500	811.125	7.222.500
Group contribution		60.000.000	0	60.000.000	0
<b>Cash flows from financing activities</b>		<b>57.393.223</b>	<b>36.183.919</b>	<b>59.254.835</b>	<b>7.294.834</b>

## Cash Flow Statement 1 July - 30 June

	Note	2013/14 DKK	2012/13 DKK	2013/14 DKK	2012/13 DKK
<b>Change in cash and cash equivalents</b>		<b>-6.032.284</b>	<b>1.388.993</b>	<b>63.873</b>	<b>-117.402</b>
Cash and cash equivalents at 1 July		<u>13.900.938</u>	<u>12.511.945</u>	<u>97.894</u>	<u>215.296</u>
<b>Cash and cash equivalents at 30 June</b>		<b><u>7.868.654</u></b>	<b><u>13.900.938</u></b>	<b><u>161.767</u></b>	<b><u>97.894</u></b>
Cash and cash equivalents are specified as follows:					
Cash at bank and in hand		<u>7.868.654</u>	<u>13.900.938</u>	<u>161.767</u>	<u>97.894</u>
<b>Cash and cash equivalents at 30 June</b>		<b><u>7.868.654</u></b>	<b><u>13.900.938</u></b>	<b><u>161.767</u></b>	<b><u>97.894</u></b>



## Notes to the Annual Report

	Group		Parent Company	
	2013/14	2012/13	2013/14	2012/13
	DKK	DKK	DKK	DKK
<b>5 Tax on profit/loss for the year</b>				
Current tax for the year	1.249.666	595.546	0	0
Deferred tax for the year	-12.582	-10.717.247	-225.949	164.702
Adjustment of deferred tax concerning previous years	-356.116	-4.598.467	-216.327	-320.202
	<b>880.968</b>	<b>-14.720.168</b>	<b>-442.276</b>	<b>-155.500</b>
which breaks down as follows:				
Tax on profit/loss for the year	954.354	-14.720.168	-368.890	-155.500
Tax on changes in equity	-73.386	0	-73.386	0
	<b>880.968</b>	<b>-14.720.168</b>	<b>-442.276</b>	<b>-155.500</b>

## 6 Intangible assets

### Group

	Completed development projects	Acquired licenses
	DKK	DKK
Cost at 1 July	7.929.526	0
Changes regarding prior years	0	177.001
Additions for the year	0	440.047
Cost at 30 June	<b>7.929.526</b>	<b>617.048</b>
Impairment losses and amortisation at 1 July	7.929.526	0
Changes regarding prior years	0	177.001
Amortisation for the year	0	75.884
Impairment losses and amortisation at 30 June	<b>7.929.526</b>	<b>252.885</b>
<b>Carrying amount at 30 June</b>	<b>0</b>	<b>364.163</b>

# Notes to the Annual Report

## 7 Property, plant and equipment

### Group

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Total
	DKK	DKK	DKK	DKK
Cost at 1 July	52.887.533	14.022.658	3.228.567	70.138.758
Changes regarding prior years	77.468	-151.289	514.018	440.197
Exchange adjustment	1.306.281	116.575	57.221	1.480.077
Additions for the year	1.985.153	2.929.825	647.944	5.562.922
Disposals for the year	-1.580.901	-1.417.411	-1.784.851	-4.783.163
Cost at 30 June	<u>54.675.534</u>	<u>15.500.358</u>	<u>2.662.899</u>	<u>72.838.791</u>
Impairment losses and depreciation at 1 July	512.285	7.924.723	2.290.069	10.727.077
Changes regarding prior years	0	8.392	36.764	45.156
Exchange adjustment	0	19.149	14.661	33.810
Depreciation for the year	1.553.885	2.086.397	460.362	4.100.644
Reversal of impairment and depreciation of sold assets	-2.825	-1.028.441	-1.549.305	-2.580.571
Impairment losses and depreciation at 30 June	<u>2.063.345</u>	<u>9.010.220</u>	<u>1.252.551</u>	<u>12.326.116</u>
<b>Carrying amount at 30 June</b>	<b><u>52.612.189</u></b>	<b><u>6.490.138</u></b>	<b><u>1.410.348</u></b>	<b><u>60.512.675</u></b>

# Notes to the Annual Report

	<b>Parent Company</b>	
	2013/14	2012/13
	DKK	DKK
<b>8 Investments in subsidiaries</b>		
Cost at 1 July	20.232.379	15.232.379
Additions for the year	84.000.000	5.000.000
Cost at 30 June	<u>104.232.379</u>	<u>20.232.379</u>
Value adjustments at 1 July	-33.162.170	-10.357.495
Changes regarding prior years	47.657	0
Exchange adjustment	795.202	-271.994
Net profit/loss for the year	-4.985.894	-22.396.825
Fair value adjustment of hedging instruments for the year	-260.184	-135.856
Value adjustments at 30 June	<u>-37.565.389</u>	<u>-33.162.170</u>
Equity investments with negative net asset value amortised over receivables	<u>6.480.000</u>	<u>6.000.000</u>
Equity investments with negative net asset value transferred to provisions	<u>5.746.503</u>	<u>6.929.791</u>
<b>Carrying amount at 30 June</b>	<b><u>78.893.493</u></b>	<b><u>0</u></b>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Envikraft A/S	Odense	TDKK 1.000	100%	-23.786.115	-2.029.910
Weiss A/S	Odense	TDKK 1.010	100%	78.893.494	-779.392
Ranheat Energy ApS	Odense	TDKK 125	100%	325.253	-4.883
Weiss RO S.R.L	Rumænien	TRON 200	100%	343.020	135.325
Weiss Sp. Zo.o	Polen	TPLN 6.000	100%	21.185.908	3.872.683

# Notes to the Annual Report

## 9 Other fixed asset investments

	<u>Group</u>
	Other receiv- ables
	DKK
Cost at 1 July	269.217
Additions for the year	949
Disposals for the year	<u>-57.500</u>
Cost at 30 June	<u>212.666</u>
<b>Carrying amount at 30 June</b>	<b><u>212.666</u></b>

	<u>Group</u>		<u>Parent Company</u>	
	2013/14	2012/13	2013/14	2012/13
	DKK	DKK	DKK	DKK
<b>10 Contract work in progress</b>				
Selling price of production for the period	642.772.403	348.648.414	0	0
Payments received on account	<u>-556.461.597</u>	<u>-326.632.333</u>	<u>0</u>	<u>0</u>
	<b><u>86.310.806</u></b>	<b><u>22.016.081</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
Recognised in the balance sheet as follows:				
Contract work in progress recognised in assets	107.958.997	42.511.769	0	0
Prepayments received recognised in debt	<u>-21.648.191</u>	<u>-20.495.688</u>	<u>0</u>	<u>0</u>
	<b><u>86.310.806</u></b>	<b><u>22.016.081</u></b>	<b><u>0</u></b>	<b><u>0</u></b>

## Notes to the Annual Report

	<u>2013/14</u> DKK	<u>2012/13</u> DKK
<b>11 Subordinate loan capital</b>		
Subordinate loan capital	17.033.625	16.222.500
	<b><u>17.033.625</u></b>	<b><u>16.222.500</u></b>

The subordinate loans are subordinated claims against Envikraft Invest A/S from the company's other creditors in the event of dissolution or bankruptcy.

### 12 Equity

The share capital consists of 1.600.000 shares of a nominal value of DKK 1. No shares carry any special rights.

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

	<u>Group</u>		<u>Parent Company</u>	
	<u>2013/14</u> DKK	<u>2012/13</u> DKK	<u>2013/14</u> DKK	<u>2012/13</u> DKK
<b>13 Other provisions</b>				
The group provides warranties of 2 to 5 years on some of its products and is therefore obliged to repair or replace goods which are not satisfactory. Other provisions include work-in-progress projects with negative gross margin (provision for onerous contracts) and provision for restructuring costs.				
Warranty provisions	11.985.322	9.072.319	0	0
Other provisions	16.986.061	14.486.061	0	0
	<b><u>28.971.383</u></b>	<b><u>23.558.380</u></b>	<b><u>0</u></b>	<b><u>0</u></b>

# Notes to the Annual Report

## 14 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group		Parent Company	
	2013/14 DKK	2012/13 DKK	2013/14 DKK	2012/13 DKK
<b>Subordinate loan capital</b>				
Between 1 and 5 years	17.033.625	16.222.500	17.033.625	16.222.500
Long-term part	17.033.625	16.222.500	17.033.625	16.222.500
Within 1 year	0	0	0	0
	<b>17.033.625</b>	<b>16.222.500</b>	<b>17.033.625</b>	<b>16.222.500</b>
<b>Mortgage loans</b>				
After 5 years	3.858.944	5.106.451	0	0
Between 1 and 5 years	4.856.078	4.815.348	0	0
Long-term part	8.715.022	9.921.799	0	0
Within 1 year	1.198.071	1.182.928	0	0
	<b>9.913.093</b>	<b>11.104.727</b>	<b>0</b>	<b>0</b>
<b>Credit institutions</b>				
After 5 years	18.974.293	10.756.245	0	0
Between 1 and 5 years	2.023.650	10.640.819	0	0
Long-term part	20.997.943	21.397.064	0	0
Within 1 year	504.634	4.827.486	0	2.000.000
Other short-term debt to credit institutions	35.023.681	32.517.807	0	0
Short-term part	35.528.315	37.345.293	0	2.000.000
	<b>56.526.258</b>	<b>58.742.357</b>	<b>0</b>	<b>2.000.000</b>

# Notes to the Annual Report

	Group		Parent Company	
	2013/14	2012/13	2013/14	2012/13
	DKK	DKK	DKK	DKK
<b>15 Contingent assets, liabilities and other financial obligations</b>				
<b>Rental agreements and leases</b>				
Lease obligations under operating leases. Total future lease payments:				
Within 1 year	2.730.671	1.020.765	0	0
Between 1 and 5 years	6.731.229	1.591.919	0	0
	<b>9.461.900</b>	<b>2.612.684</b>	<b>0</b>	<b>0</b>
Rental agreements, non-cancellation period of 3-4 years	3.562.467	1.812.086	0	0
<b>Security</b>				
The following assets have been placed as security with mortgage credit institutes:				
Mortgage deeds totaling TEUR 1.607 giving a mortgage on land and buildings with a carrying value of	21.124.984	22.097.565	0	0
The following assets have been placed as security with bankers:				
Mortgage deeds totaling TDKK 4,500, giving a mortgage on land and buildings with a carrying value of	21.124.984	22.097.565	0	0
The following assets have been placed as security with bankers and insurance companies:				
Floating charge totalling TDKK 40,000 with security in receivables, inventories, other fixtures, fittings and equipment with a carrying value of	90.817.027	34.027.488	0	0
Floating charge totalling TDKK 3,000 with security in receivables, inventories, other fixtures, fittings and equipment with a carrying value of	0	13.394.411	0	0

## Notes to the Annual Report

	Group		Parent Company	
	2013/14	2012/13	2013/14	2012/13
	DKK	DKK	DKK	DKK
<b>15 Contingent assets, liabilities and other financial obligations</b> (continued)				

The following assets have been placed as security with bankers (mortgage deeds totalling TDKK 18.974 as per 30th June 2014) and for performance and payment guarantees issued by Envikraft A/S (totalling TDKK 5.749 as per 30th June 2014):

Shareholding in Weiss Sp. Zo.o with a carrying value of	21.185.908	16.475.484	0	0
---	------------	------------	---	---

### Contingent liabilities

The Danish companies of the group are jointly and severally liable for tax on consolidated taxable income in the tax year 2014.

The group has performance and payment guarantees totalling TDKK 105,658.

The parent company has provided guarantees for the debt of subsidiaries totaling TDKK 20,815, and for subsidiaries' guarantees of TDKK 5,747.

## Notes to the Annual Report

	Group		Parent Company	
	2013/14 DKK	2012/13 DKK	2013/14 DKK	2012/13 DKK
<b>16 Staff</b>				
Wages and Salaries	89.592.229	81.079.551	0	0
Pensions	4.909.634	5.016.044	0	0
Other social security expenses	1.403.049	1.390.893	0	0
Other staff expenses	5.195.905	4.168.515	0	0
	<b>101.100.817</b>	<b>91.655.003</b>	<b>0</b>	<b>0</b>
Wages and Salaries, pensions, other social security expenses and other staff expenses are recognised in the following items:				
Cost of sales	64.914.765	56.868.308	0	0
Distribution expenses	9.051.522	4.609.359	0	0
Administrative expenses	27.134.530	30.177.336	0	0
	<b>101.100.817</b>	<b>91.655.003</b>	<b>0</b>	<b>0</b>
Including remuneration to the Supervisory Board of:				
Executive Board	4.024.354	0	0	0
	<b>4.024.354</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Average number of employees</b>	<b>241</b>	<b>224</b>	<b>0</b>	<b>0</b>
<b>17 Fee to auditors appointed at the general meeting</b>				
Audit fee to PricewaterhouseCoopers	257.500	279.000	15.000	25.000
Other assurance engagements	19.000	0	0	0
Tax advisory services	32.000	126.000	3.000	9.500
Other services	255.500	581.000	30.000	49.000
	<b>564.000</b>	<b>986.000</b>	<b>48.000</b>	<b>83.500</b>

# Notes to the Annual Report

## 18 Related parties and ownership

	<b>Basis</b>
<b>Controlling interest</b>	
Weiss Partners A/S	Parent Company
Anpartselskabet af 14. oktober 2013	Ultimate parent

### Ownership

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

Weiss Partners A/S, Cvr.: 35 51 81 85, Avderødvej 27 C, 2980 Kokkedal.

### **Consolidated Financial Statements**

The Company is included in the Group Annual Report of Anpartselskabet af 14. oktober 2013, Avdereødvej 27 C, 2980 kokkedal, Cvr.: 35 51 55 77.

## Notes to the Annual Report

	<b>Group</b>		<b>Parent Company</b>	
	<u>2013/14</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2012/13</u>
	DKK	DKK	DKK	DKK
<b>19 Cash flow statement - adjustments</b>				
Financial income	-3.660.876	-3.995.461	-638.640	-727.048
Financial expenses	9.212.873	10.095.329	1.278.043	1.367.132
Depreciation, amortisation and impairment losses, including losses and gains on sales	4.866.388	2.762.848	0	0
Income from investments in subsidiaries	0	0	4.985.894	22.396.824
Tax on profit/loss for the year	954.354	-14.720.168	-368.890	-155.500
	<b><u>11.372.739</u></b>	<b><u>-5.857.452</u></b>	<b><u>5.256.407</u></b>	<b><u>22.881.408</u></b>
<b>20 Cash flow statement - change in working capital</b>				
Change in inventories	-1.762.323	3.985.473	0	0
Change in receivables	-66.246.027	21.329.219	1.437.815	-293.913
Change in other provisions	5.413.003	21.846.155	0	0
Change in trade payables, etc	2.617.811	31.883	149.076	-1.472.489
	<b><u>-59.977.536</u></b>	<b><u>47.192.730</u></b>	<b><u>1.586.891</u></b>	<b><u>-1.766.402</u></b>

# Accounting Policies

## Basis of Preparation

Consolidated and Parent Company Financial Statements of Envikraft Invest A/S for 2013/14 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

Consolidated and Parent Company Financial Statements for 2013/14 are presented in DKK.

## Fundamental errors

The financial report 2012/13 was influenced by historical accounting errors, so called fundamental errors, which were corrected in the equity as of 30.06.12.

After the acquisition by Weiss Partners in November 2013, a new management has been put in place, and the new management has discovered that not all fundamental errors were identified and corrected last year.

This year the remaining fundamental errors, which are of the same nature as in 2012/13, have now been corrected in the equity value as of 30.06.13.

The fundamental errors consist of costs incurred on projects erroneously closed financially in earlier financial years, and these costs therefore are incurred to attain a formal handover of several projects to the customers. The total effect of these costs is 7.360.094 DKK pretax.

Apart from that, there were also wrong and extraordinary low estimates in the total cost to complete in 5 major projects per 30.06.13, and these wrong estimates have also been corrected with a total pretax value of 26.943.457 DKK

<b>Group</b>	Net profit/loss 2012/13	Correction of errors after tax	Corrected profit/loss	Equity 30. June 2013	Correction of errors	Corrected equity 30. June 2013
<i>TDKK</i>						
Annual report 2012/2013	-9.793			-15.191		
Projects erroneously closed in prior years subject to subsequent hand over costs		-5.594			-5.594	
Misstated cost to complete regarding construction contracts		-20.477			-20.477	
Other		-760			-760	
Corrected figures from prior year	-9.793	-26.831	-36.624	-15.191	-26.831	-42.022

# Accounting Policies

## 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.

## Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Envikraft Invest A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

On acquisition of subsidiaries, the difference between cost and net asset value of the enterprise acquired is determined at the date of acquisition after the individual assets and liabilities having been adjusted to fair value (the purchase method). This includes allowing for any restructuring provisions determined in relation to the enterprise acquired. Any remaining positive differences are recognised in intangible assets in the balance sheet as goodwill, which is amortised in the income statement on a straightline basis over its estimated useful life, but not exceeding 20 years. Any remaining negative differences are recognised in deferred income in the balance sheet as negative goodwill. Amounts attributable to expected losses or expenses are recognised as income in the income statement as the affairs and conditions to which the amounts relate materialise. Negative goodwill not related to expected losses or expenses is recognised at an amount equal to the fair value of non-monetary assets in the income statement over the average useful life of the non-monetary assets.

## **Accounting Policies**

Positive and negative differences from enterprises acquired may, due to changes to the recognition and measurement of net assets, be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

Amortisation of goodwill is allocated in the Consolidated Financial Statements to the operations to which goodwill is related.

Amortisation of goodwill is recognised in “Amortisation, depreciation and impairment losses”.

### **Leases**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an approximated value as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

### **Translation policies**

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

# Accounting Policies

## Income Statement

### Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when delivery and transfer of risk to the buyer have been made before year end.

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Contract work in progress concerning equipment for the manufacturing of furniture 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.

### Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

Cost of sales also includes research and development costs that do not qualify for capitalisation as well as amortisation of capitalised development costs. Furthermore, amortisation of goodwill is included to the extent that goodwill relates to production activities. Finally, provisions for losses on contract work are recognised.

### Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to distribution activities.

### Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to administrative activities.

### Other operating income and expenses

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

## **Accounting Policies**

### **Income from investments in subsidiaries and associates**

The items “Income from investments in subsidiaries” and “Income from investments in associates” in the income statement include the proportionate share of the profit for the year less goodwill amortisation.

### **Financial income and expenses**

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

### **Tax on profit/loss for the year**

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

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

## **Balance Sheet**

### **Intangible assets**

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 5 years.

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 8 years.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

### **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. In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

## Accounting Policies

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Production buildings	25-50 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-8 years

Assets costing less than DKK 12,600 are expensed in the year of acquisition.

### Impairment of fixed assets

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

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

### Investments in subsidiaries and associates

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

The items "Investments in subsidiaries" and "Investments in associates" 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 inter-company profits or losses and with addition of any remaining value of positive differences (goodwill) and deduction of any remaining value of negative differences (negative goodwill).

The total net revaluation of investments in subsidiaries and associates 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 subsidiaries and associates.

Subsidiaries and associates 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.

### Inventories

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

## **Accounting Policies**

The net realisable value of inventories is calculated at the amount expected to be generated by sale 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 sales sum.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

### **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. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

### **Contract work in progress**

Contract work in progress is measured at the 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 resources incurred to date bear to the estimated total resources. 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.

Prepayments and payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

### **Prepayments**

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

# Accounting Policies

## Equity

### *Dividend*

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

## Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Group 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. Provisions with an expected maturity exceeding 1 year from the balance sheet date are discounted at the average bond yield.

## Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, 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 within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

## Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

## Financial debts

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

## Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

## **Accounting Policies**

### **Cash Flow Statement**

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

No cash flow statement has been prepared for the Parent Company as the Parent Company cash flows are included in the Consolidated Cash Flow Statement.

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

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

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

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

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

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

#### **Cash and cash equivalents**

Cash and cash equivalents comprise "Cash at bank and in hand".

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

## Accounting Policies

### Financial Highlights

#### Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$