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**Botved Systems A/S**
Metalgangen 16
2690 Karlslunde
Central Business Registration No
11026109

# Annual report 2016/17

The Annual General Meeting adopted the annual report on 30.11.2017

**Chairman of the General Meeting**

Name: Claus Linde

# Contents

# Entity details

**Entity**
Botved Systems A/S
Metalgangen 16
2690 Karlslunde

Central Business Registration No: 11026109
Registered in: Greve
Financial year: 01.07.2016 - 30.06.2017

**Board of Directors**
Claus Linde
Anne Mette Linde
Nick Linde

**Executive Board**
Claus Linde, Chief Executive Officer

**Auditors**
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P.O. Box 1600
0900 Copenhagen C, Denmark

# Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Botved Systems A/S for the financial year 01.07.2016 - 30.06.2017.

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 Entity's financial position at 30.06.2017 and of the results of its operations for the financial year 01.07.2016 - 30.06.2017.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Greve, 30.11.2017

**Executive Board**

Claus Linde
Chief Executive Officer

**Board of Directors**

| | | |
|---|---|---|
| Claus Linde | Anne Mette Linde | Nick Linde |

# Independent auditor's report

**To the shareholders of Botved Systems A/S**

**Opinion**

We have audited the financial statements of Botved Systems A/S for the financial year 01.07.2016 - 30.06.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including 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 Entity's financial position at 30.06.2017 and of the results of its operations for the financial year 01.07.2016 - 30.06.2017 in accordance with the Danish Financial Statements Act.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

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

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

# Independent auditor's report

- 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Statement on the management commentary**
Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

# Independent auditor's report

Based on the work we have performed, we conclude that the 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 the management commentary.

Copenhagen, 30.11.2017

**Deloitte**
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Lars Kronow
State-Authorised Public Accountant

# Management commentary

**Primary activities**
The Company's primary activities are sales of laundry equipment and service activities.

For more than 60 years, Botved has been the leading supplier of equipment and systems for the industrial and hospital laundries in Denmark, the Faroe Islands and Greenland.

**Development in activities and finances**
After starting up with our new innovative suppliers, we have already made remarkable and impressive results in the Nordic Region. We have started our financial year 2017-18 by winning public tenders in Denmark and Sweden at approx. DKK 20.000.000.

Within the private Heavy Duty Laundries, we experience the same interest in new products, which really cements our sales strategy for the Nordic countries.

**Quality and collaborative partners**
To meet the demands of the public sector, especially in Sweden, we have implemented a new management system based on ISO 9001 and ISO 14001, and we expect to be audited externally in beginning of 2018. It has been an exciting journey from which we expect a really good return.

For further support of the Swedish sales activities, we have chosen a local partner, which enables us to follow up on installations and offer "add-on" services close to the customer.

The public sector and the big laundries demand fully automated sorting of garments, and therefore we have joined forces with probably the best provider in Europe for this service.

After the successful business integration with Repella A/S, the companies have joined at new facilities on Metalgangen in Karlslunde, at which we now have 600 m2 administration and about 1,200 m2 newly built warehouse from where we serve our customers in the Nordic Region.

Therefore, we feel better equipped than ever in our efforts to create more innovative solutions together with our customers, and we will invest even more resources in this.

**Profit/loss for the year in relation to expected developments**
This year's positive results before tax amounted to DKK 226 thousand, which is in line with our expectations.

We also expect a positive result for the next financial year.

**Events after the balance sheet date**
No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

# Income statement for 2016/17

| | Notes | 2016/17 DKK | 2015/16 DKK'000 |
|---|---|---|---|
| **Gross profit** | | **6.971.514** | **8.133** |
| Staff costs | 1 | (6.247.648) | (7.185) |
| Depreciation, amortisation and impairment losses | 2 | (307.150) | (202) |
| **Operating profit/loss** | | **416.716** | **746** |
| Income from investments in group enterprises | | (29.772) | 0 |
| Other financial income | | 13.972 | 24 |
| Other financial expenses | | (174.776) | (42) |
| **Profit/loss before tax** | | **226.140** | **728** |
| Tax on profit/loss for the year | 3 | (59.000) | (167) |
| **Profit/loss for the year** | | **167.140** | **561** |
| **Proposed distribution of profit/loss** | | | |
| Ordinary dividend for the financial year | | 167.140 | 561 |
| | | **167.140** | **561** |

# Balance sheet at 30.06.2017

| | Notes | 2016/17 DKK | 2015/16 DKK'000 |
|---|---|---|---|
| Other fixtures and fittings, tools and equipment | | 497.517 | 528 |
| Leasehold improvements | | 0 | 0 |
| **Property, plant and equipment** | 4 | **497.517** | **528** |
| Investments in group enterprises | | 2.970.228 | 0 |
| Deposits | | 75.000 | 75 |
| Deferred tax | | 0 | 0 |
| **Fixed asset investments** | | **3.045.228** | **75** |
| **Fixed assets** | | **3.542.745** | **603** |
| Manufactured goods and goods for resale | | 2.462.003 | 2.672 |
| **Inventories** | | **2.462.003** | **2.672** |
| Trade receivables | | 4.296.635 | 2.734 |
| Contract work in progress | 5 | 2.615.250 | 0 |
| Receivables from group enterprises | | 287.715 | 88 |
| Other receivables | | 57 | 0 |
| Prepayments | | 504.857 | 692 |
| **Receivables** | | **7.704.514** | **3.514** |
| **Cash** | | **2.138.243** | **7.663** |
| **Current assets** | | **12.304.760** | **13.849** |
| **Assets** | | **15.847.505** | **14.452** |

# Balance sheet at 30.06.2017

| | Notes | 2016/17 DKK | 2015/16 DKK'000 |
|---|---|---|---|
| Contributed capital | | 500.000 | 500 |
| Retained earnings | | 2.000.000 | 2.000 |
| Proposed dividend | | 167.140 | 561 |
| **Equity** | | **2.667.140** | **3.061** |
| Deferred tax | | 109.000 | 50 |
| **Provisions** | | **109.000** | **50** |
| Bank loans | | 107.512 | 160 |
| **Non-current liabilities other than provisions** | | **107.512** | **160** |
| Current portion of long-term liabilities other than provisions | | 52.195 | 51 |
| Bank loans | | 229.204 | 0 |
| Prepayments received from customers | | 0 | 1.110 |
| Trade payables | | 9.845.798 | 6.713 |
| Income tax payable | | 0 | 71 |
| Other payables | | 2.836.656 | 3.236 |
| **Current liabilities other than provisions** | | **12.963.853** | **11.181** |
| **Liabilities other than provisions** | | **13.071.365** | **11.341** |
| **Equity and liabilities** | | **15.847.505** | **14.452** |
| Unrecognised rental and lease commitments | 6 | | |
| Contingent liabilities | 7 | | |
| Mortgages and securities | 8 | | |

# Statement of changes in equity for 2016/17

| | Contributed capital DKK | Retained earnings DKK | Proposed dividend DKK | Total DKK |
|---|---|---|---|---|
| Equity beginning of year | 500.000 | 2.000.000 | 560.528 | 3.060.528 |
| Ordinary dividend paid | 0 | 0 | (560.528) | (560.528) |
| Profit/loss for the year | 0 | 0 | 167.140 | 167.140 |
| **Equity end of year** | **500.000** | **2.000.000** | **167.140** | **2.667.140** |

# Notes

| | 2016/17<br>DKK | 2015/16<br>DKK'000 |
|---|---|---|
| **1. Staff costs** | | |
| Wages and salaries | 5.761.215 | 6.622 |
| Pension costs | 377.010 | 432 |
| Other social security costs | 83.383 | 82 |
| Other staff costs | 26.040 | 49 |
| | **6.247.648** | **7.185** |
| Average number of employees | **12** | **13** |

| | 2016/17<br>DKK | 2015/16<br>DKK'000 |
|---|---|---|
| **2. Depreciation, amortisation and impairment losses** | | |
| Depreciation of property, plant and equipment | 321.150 | 235 |
| Profit/loss from sale of intangible assets and property, plant and equipment | (14.000) | (33) |
| | **307.150** | **202** |

| | 2016/17<br>DKK | 2015/16<br>DKK'000 |
|---|---|---|
| **3. Tax on profit/loss for the year** | | |
| Tax on current year taxable income | 0 | 71 |
| Change in deferred tax for the year | 59.000 | 96 |
| | **59.000** | **167** |

# Notes

| | Other fixtures and fittings, tools and equipment DKK | Leasehold improve-ments DKK |
|---|---|---|
| **4. Property, plant and equipment** | | |
| Cost beginning of year | 1.494.443 | 136.538 |
| Additions | 290.000 | 0 |
| Disposals | (65.000) | 0 |
| **Cost end of year** | **1.719.443** | **136.538** |
| Depreciation and impairment losses beginning of the year | (965.776) | (136.538) |
| Depreciation for the year | (321.150) | 0 |
| Reversal regarding disposals | 65.000 | 0 |
| **Depreciation and impairment losses end of the year** | **(1.221.926)** | **(136.538)** |
| **Carrying amount end of year** | **497.517** | **0** |

| | 2016/17 DKK | 2015/16 DKK'000 |
|---|---|---|
| **5. Contract work in progress** | | |
| Contract work in progress | 14.615.250 | 0 |
| Progress billings regarding contract work in progress | (12.000.000) | 0 |
| | **2.615.250** | **0** |

| | 2016/17 DKK | 2015/16 DKK'000 |
|---|---|---|
| **6. Unrecognised rental and lease commitments** | | |
| Hereof liabilities under rental or lease agreements until maturity in total | **170** | **361** |

**7. Contingent liabilities**

The Company participates in a Danish joint taxation arrangement in which Kanich Holding ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

# Notes

**8. Mortgages and securities**

The Entity has provided an on-demand guarantee to Bispebjerg Hospital Centralvaskeriet of DKK 347k in connection with the supply of equipment to Bispebjerg Hospital Centralvaskeriet.

The Entity has granted a floating charge of DKK 1,000k as security towards the bank. The floating charge has been granted on receivables, inventories, intangible assets and property, plant and equipment equivalent to a carrying amount of DKK 7,256k at 30.06.2017.

The Entity has provided an unlimited pro rata guarantee of payment to third parties for the group enterprise Repella A/S.

# Accounting policies

**Reporting class**
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

With reference to section 32 of the Danish Financial Statements Act, Management decided only to show the gross profit.

The accounting policies applied for these financial statements are consistent with those applied last year.

**Recognition and measurement**
Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

**Foreign currency translation**
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

**Income statement**
**Gross profit or loss**
Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, other operating income and external expenses.

# Accounting policies

**Revenue**
Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

**Other operating income**
Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

**Cost of sales**
Cost of sales comprises costs of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

**Other external expenses**
Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

**Staff costs**
Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

**Depreciation, amortisation and impairment losses**
Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

**Income from investments in group enterprises**
Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

**Other financial income**
Other financial income comprises interest income, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

**Other financial expenses**
Other financial expenses comprise interest expenses, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

# Accounting policies

**Tax on profit/loss for the year**
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

**Balance sheet**
**Property, plant and equipment**
Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

| | |
|---|---|
| Other fixtures and fittings, tools and equipment | 3-6 years |

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

**Investments in group enterprises**
Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity plus or minus unamortised positive, or negative, goodwill and minus or plus unrealised intra-group profits or losses.

Group enterprises with negative equity are measured at DKK 0, and any receivables from these enterprises are written down by the Parent's share of such negative equity value if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Goodwill is calculated as the difference between cost of the investments and fair value of the assets and liabilities acquired. Goodwill is amortised over its estimated useful life which is normally 15 years,

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

# Accounting policies

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

**Receivables**
Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

**Contract work in progress**
Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts as well as financing costs are recognised in the income statement as incurred.

**Prepayments**
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

**Cash**
Cash comprises bank deposits.

**Dividend**
Dividend is recognised as a liability at the time of adoption at the general meeting. The proposed dividend for the financial year is disclosed as a separate item in equity.

**Deferred tax**
Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

# Accounting policies

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

**Operating leases**

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

**Other financial liabilities**

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

**Prepayments received from customers**

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

**Income tax receivable or payable**

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.