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KD Maskinfabrik A/S
Karetmagervej 25
7100 Vejle
Business Registration No
11064744

Annual report 2018

The Annual General Meeting adopted the annual report on 19.08.2019

Chairman of the General Meeting

Name: Jens Sehested Krogh

Member of Deloitte Touche Tohmatsu Limited

Contents

Entity details

Entity
KD Maskinfabrik A/S
Karetmagervej 25
7100 Vejle

Central Business Registration No (CVR): 11064744
Registered in: Vejle
Financial year: 01.01.2018 - 31.12.2018

Board of Directors
David Packness Meyer, Chairman
Ronnie Møller-Thorsøe
Per Krøyer Kristensen
Lars Buhl
Sherif Nazmy Ishac Kares

Executive Board
Jens Sehested Krogh, CEO

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of KD Maskinfabrik A/S for the financial year 01.01.2018 - 31.12.2018.

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 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

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.

Vejle, 19.08.2019

Executive Board

Jens Sehested Krogh
CEO

Board of Directors

David Packness Meyer Chairman	Ronnie Møller-Thorsøe	Per Krøyer Kristensen
Lars Buhl	Sherif Nazmy Ishac Kares	

Independent auditor's report

To the shareholders of KD Maskinfabrik A/S

Opinion

We have audited the financial statements of KD Maskinfabrik A/S for the financial year 01.01.2018 - 31.12.2018, 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 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 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.

Material uncertainty related to going concern

We refer to note 1 to the financial statements, which states that negotiations are in progress with the Company's banks about the possibility for further guarantees.

The Company's going concern is conditional upon liquidity following the budget for 2019 prepared by Management, which has been prepared on the assumption of provision of guarantees of between DKK 6 million as well as significant changes compared to previously regarding debtor days, prepayments, etc.

In 2019, the owners contributed DKK 7.1 million and further provided a guarantee for a contribution of an additional DKK 6 million to be used as security when issuing additional guarantees from the Company's bank. Moreover, instalment agreements have been made with significant creditors, but the instalment plan has not been observed.

Furthermore, the Company's bank has confirmed that they will continue their existing commitment for 2019. In presenting the financial statements, Management assumed that additional guarantees can be obtained and existing agreements with creditors maintained, for which reason the financial statements have been presented on a going concern basis. As stated in note 1, this indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion has not been modified with respect to this matter.

Independent auditor's report

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:

- 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

Independent auditor's report

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.

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.

Independent auditor's report

Violation of company law and similar legislation

Violation of the provisions of the Danish Financial Statements Act on submission of annual reports

The Company has presented the annual report for the period 01.01.2018 – 31.12.2018 too late contrary to the requirements of S. 138 of the Danish Financial Statements Act, for which reason Management may be held liable.

Aarhus, 19.08.2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Jacob Nørmark
State Authorised Public Accountant
Identification No (MNE) mne30176

Management commentary

Primary activities

KD Maskinfabrik A/S (KD – DWE) Is a leading clean tech technology company focused on developing and manufacturing equipment and solutions to the global wastewater market. The demand for high quality and sustainable solutions is increasing and KD has established themselves with a foundation in the Kruger technologies acquired back in the early 00's as a partner to the wastewater segment supplying high quality, solutions built to last and with focus on giving the customer a value engineered (optimized) solution that is easy and fast to install at site giving our customers a financial and technological advantage when working with KD equipment and solutions.

With constant development of new innovation of products and solutions within the wastewater segment KD has changed the company over the last 5 years from being a traditional machine plant manufacture to a clean tech company setting new standards in the wastewater industry with its idea, innovation and high quality products built to last.

Development in activities and finances

The yearly result in 2018 is positive, but not living up to the management's expectations. KD Maskinfabrik A/S (KD DWE) has however succeeded with a strong focus on breakthrough in key markets in Middle East, Egypt and Asia, as well as launching high quality product solutions to the market, which has given KD a significant competitive edge. Middle East, Egypt, Vietnam And China has shown strong opportunities and we expect these markets to be a key driver for growth in the future.
KD has in 2018 achieved very important milestones and finishing new product development, to strengthen business opportunities globally. KD key markets are very attractive and the Company have managed to increase Order intake for the first 6 months in 2019 significantly with a very promising pipeline.

KD DWE Egypt Joint Venture

KD DWE Egypt was established in 2015 and are working intensively on new projects in the Egypt market. In 2018 KD entered into a new Joint venture (production, engineering and Sales) for the Egypt and Africa Market, with Base in Port Said, Egypt together with a local strong partner which will strengthen the Company's presence and give a faster and stronger approach to the market.

KD DWE Shanghai Office

KD DWE has established a sales office in Shanghai to target the Chinese market as the new environmental law in China for water and wastewater gives KD strong opportunities with their products and solutions. The office was established in November 2018 and expect orders in second half of 2019 from our strong sales work done the first 9 months building up an attractive pipeline.

Uncertainty relating to recognition and measurement

The Company's development activities consist of development of different technologies presented to the market at the beginning of 2019. Management does not consider any indication of impairment to

Management commentary

exist at 31.12.2018 as there is an ongoing dialogue with several potential customers. Based on this, Management expects positive cash flows to be generated from all development projects in 2019.

Management's valuation, however, is subject to material uncertainty as no final agreements have been signed yet. This, however, is in accordance with Management's expectations.

Outlook

The company have in the first half year of 2019 received the biggest order intake in history and signed more than 70 % of the new orders needed to achieve the result for 2019. The order pipeline of new future projects has never been larger and we expect a record high order intake for KD in 2019. It is especially Middle East, Egypt and Vietnam that is giving new orders and very strong opportunities.
KD expect a turnover for 2019 in line with 2018, but with strong focus on increasing liquidity and the financial result for 2019.

Particular risks

The company has no special risks.

Currency risks

The company has no special currency risks dealing only in DKK and euro's

Environmental Risks

The company has no environmental risks and. The company is certified in ISO900.

Events after the balance sheet date

KD has entered into a strategic cooperation with a strong partner EnCorp Ltd. Who has acquired 20 % shares in KD Group A/S on January 8th 2019 and who is also our new majority partner in our Joint Venture in Port Said, Egypt. Our new Partner has 51 % of the Shares in the Egypt JV and the two other partner KD Maskinfabrik A/S has 44 % and Joint venture partner El baron has 5 %.

Income statement for 2018

	Notes	2018 DKK	2017 DKK
Gross profit		**26.374.746**	**25.170.858**
Staff costs	2	(21.154.010)	(17.961.793)
Depreciation, amortisation and impairment losses	3	(1.650.257)	(1.972.457)
Operating profit/loss		**3.570.479**	**5.236.608**
Income from investments in group enterprises		0	(1.214.596)
Other financial income	4	185.564	121.549
Other financial expenses	5	(3.324.720)	(2.529.732)
Profit/loss before tax		**431.323**	**1.613.829**
Tax on profit/loss for the year	6	(385.000)	(648.204)
Profit/loss for the year		**46.323**	**965.625**
Proposed distribution of profit/loss			
Transferred to other statutory reserves		(2.854.286)	6.723.511
Retained earnings		2.900.609	(5.757.886)
		46.323	**965.625**

Balance sheet at 31.12.2018

	Notes	2018 DKK	2017 DKK
Completed development projects		3.353.644	2.968.064
Development projects in progress		3.895.927	8.889.029
Intangible assets	7	**7.249.571**	**11.857.093**
Land and buildings		15.030.950	15.469.730
Plant and machinery		1.052.116	260.339
Other fixtures and fittings, tools and equipment		31.562	84.906
Property, plant and equipment	8	**16.114.628**	**15.814.975**
Investments in group enterprises		0	2.288.608
Investments in joint ventures		60.332	60.332
Other receivables		5.333.078	146.142
Fixed asset investments	9	**5.393.410**	**2.495.082**
Fixed assets		**28.757.609**	**30.167.150**
Work in progress		706.702	840.168
Manufactured goods and goods for resale		4.529.059	4.605.066
Inventories		**5.235.761**	**5.445.234**
Trade receivables		9.817.680	12.605.898
Contract work in progress	10	32.140.599	28.410.266
Receivables from group enterprises	11	12.791.943	63.563
Other receivables		653.317	2.090.128
Income tax receivable		0	2.006.372
Prepayments		372.321	265.304
Receivables		**55.775.860**	**45.441.531**
Other investments		28.124	42.384
Other investments		**28.124**	**42.384**
Cash		**5.202**	**11.415**
Current assets		**61.044.947**	**50.940.564**
Assets		**89.802.556**	**81.107.714**

Balance sheet at 31.12.2018

	Notes	2018 DKK	2017 DKK
Contributed capital		4.264.599	4.264.599
Reserve for development expenditure		5.808.953	8.663.239
Retained earnings		9.231	(2.891.378)
Equity		**10.082.783**	**10.036.460**
Deferred tax	12	3.357.000	2.972.000
Provisions		**3.357.000**	**2.972.000**
Mortgage debt		7.326.489	7.854.111
Bank loans		0	291.000
Debt to other credit institutions		3.400.000	0
Non-current liabilities other than provisions	13	**10.726.489**	**8.145.111**
Current portion of long-term liabilities other than provisions	13	1.412.277	917.131
Bank loans		28.966.938	31.088.759
Trade payables		26.689.989	21.627.254
Payables to shareholders and management		1.537.830	1.215.962
Other payables		7.029.250	4.110.037
Deferred income		0	995.000
Current liabilities other than provisions		**65.636.284**	**59.954.143**
Liabilities other than provisions		**76.362.773**	**68.099.254**
Equity and liabilities		**89.802.556**	**81.107.714**
Going concern	1		
Unrecognised rental and lease commitments	14		
Contingent liabilities	15		
Assets charged and collateral	16		

Statement of changes in equity for 2018

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	4.264.599	8.663.239	(2.891.378)	10.036.460
Profit/loss for the year	0	(2.854.286)	2.900.609	46.323
Equity end of year	**4.264.599**	**5.808.953**	**9.231**	**10.082.783**

Notes

1. Going concern

Management believes that the Company is able to maintain sufficient financial resources to continue as a going concern since agreements have been made with significant lenders regarding the continuation of current credit facilities for 2019 as well as instalment arrangements with significant creditors. However, the instalment plan has not been followed, and Management is in dialogue with the creditors about this.

The Company's assets and liabilities at 31.12.2018 are therefore recognised and measured based on a going concern assumption.

Management has initiated negotiations with the Company's banks on the possibility of further provisions of guarantees, and it is Management's assessment that these will be achieved. The Company's going concern is conditional upon liquidity meeting the budget for 2019 prepared by Management, which has been prepared on the assumption of provision of guarantees of between DKK 6 million as well as significant changes compared to previously regarding debtor days, prepayments, etc.

In 2019, the owners contributed DKK 7.1 million and further provided a guarantee for a contribution of an additional DKK 6 million to be used as security when issuing additional guarantees from the Company's bank. Moreover, instalment agreements have been made with significant creditors, but the repayment plan has not been observed.

Furthermore, the Company's bank has confirmed that they will continue their existing commitment for 2019. In presenting the financial statements, Management assumed that additional guarantees can be obtained and agreements with creditors maintained, for which reason the financial statements have been presented on a going concern basis. This indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion has not been modified with respect to this matter.

	2018 DKK	**2017 DKK**
2. Staff costs		
Wages and salaries	17.500.991	14.670.028
Pension costs	2.425.096	2.174.085
Other social security costs	402.988	327.411
Other staff costs	824.935	790.269
	21.154.010	**17.961.793**
Average number of employees	**39**	**36**

Notes

	2018 DKK	2017 DKK
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	948.180	1.128.765
Depreciation of property, plant and equipment	750.077	843.692
Profit/loss from sale of intangible assets and property, plant and equipment	(48.000)	0
	1.650.257	**1.972.457**

	2018 DKK	2017 DKK
4. Other financial income		
Financial income arising from group enterprises	108.120	11.638
Exchange rate adjustments	77.444	107.543
Fair value adjustments	0	2.368
	185.564	**121.549**

	2018 DKK	2017 DKK
5. Other financial expenses		
Other interest expenses	2.985.608	2.423.362
Exchange rate adjustments	14.260	0
Other financial expenses	324.852	106.370
	3.324.720	**2.529.732**

	2018 DKK	2017 DKK
6. Tax on profit/loss for the year		
Current tax	0	(2.005.796)
Change in deferred tax	124.000	2.654.000
Adjustment concerning previous years	261.000	0
	385.000	**648.204**

Notes

	Completed development projects DKK	Development projects in progress DKK
7. Intangible assets		
Cost beginning of year	7.864.990	8.889.029
Transfers	1.333.760	(1.333.760)
Additions	0	1.722.935
Disposals	0	(5.382.277)
Cost end of year	**9.198.750**	**3.895.927**
Amortisation and impairment losses beginning of year	(4.896.926)	0
Amortisation for the year	(948.180)	0
Amortisation and impairment losses end of year	**(5.845.106)**	**0**
Carrying amount end of year	**3.353.644**	**3.895.927**

Development projects

At 31.12.2018, the Company has the following development projects in progress, which are still in progress at 31.12.2018:

- Development project within silo sliding frame technology (development costs to date amount to DKK 2.137k).
- Development project within Mega Bridge (development costs to date amount to DKK 1.759k).

Development project within silo sliding frame technology

Development of wet silo sliding frame technology project and dry silo project are two new technologies that the Company has been developing in 2017/18. These developments are value engineered technology solutions that differentiate the Company significantly.

With the development of this technology, Management expects to be able to offer the market a total solution that will create significantly better results for the customer and be resource and cost saving for the end-user.

The development of the technology was finished at the beginning of 2019 and has already resulted in indications of significant orders generating the expected cash flows, which will make the value-in-use exceed the carrying amount. The management does not expect significant further costs for the completion of the development project in 2019.

Notes

It is Management's expectation that this will result in a competitive advantage, and therefore the Company's Management expects an increase in the level of activity. The carrying amount at 31.12.2018 is DKK 2.137k, and Management does not find any indication of impairment to exist.

Development within Mega Bridge

The Mega Bridge EDI Project, where the Company value engineers Mega bridge WWTP Projects above 45 meters with new innovative technology. This solution will market the Company in the future and open opportunities in other countries and other project dimensions. The technology and development have been tested on a project in progress, and the Company is waiting for the final examinations before the technology can be finally implemented and offered to the market. It is Management's expectations that the technology will enter into service in Q1 2019, , and the management does not expect significant further costs for the completion of the development project in 2019.

Management has already started to market the technology, and at present the Company has received positive indications from the market.

It is Management's expectation that it will result in a competitive advantage, and therefore the Company's Management expects an increase in the level of activity. The carrying amount at 31.12.2018 is DKK 1.759k, and Management does not find any indication of impairment to exist.

Uncertainty relating to recognition and measurement

The Company's development activities consist of development of different technologies presented to the market at the beginning of 2019. Management does not consider any indication of impairment to exist at 31.12.2018 as there is an ongoing dialogue with several potential customers. Based on this, Management expects positive cash flows to be generated from all development projects in 2019.

Management's valuation, however, is subject to material uncertainty as no final agreements have been signed yet. This, however, is in accordance with Management's expectations.

Notes

	Land and buildings DKK	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK
8. Property, plant and equipment			
Cost beginning of year	21.227.790	6.566.316	3.865.048
Additions	0	1.049.730	0
Disposals	0	0	(215.000)
Cost end of year	**21.227.790**	**7.616.046**	**3.650.048**
Depreciation and impairment losses beginning of year	(5.758.060)	(6.305.977)	(3.780.142)
Depreciation for the year	(438.780)	(257.953)	(53.344)
Reversal regarding disposals	0	0	215.000
Depreciation and impairment losses end of year	**(6.196.840)**	**(6.563.930)**	**(3.618.486)**
Carrying amount end of year	**15.030.950**	**1.052.116**	**31.562**

	Invest-ments in group enterprises DKK	Investments in joint ventures DKK	Other receivables DKK
9. Fixed asset investments			
Cost beginning of year	3.606.255	60.332	146.142
Additions	0	0	5.226.944
Disposals	(3.606.255)	0	(40.008)
Cost end of year	**0**	**60.332**	**5.333.078**
Impairment losses beginning of year	(1.317.647)	0	0
Reversal regarding disposals	1.317.647	0	0
Impairment losses end of year	**0**	**0**	**0**
Carrying amount end of year	**0**	**60.332**	**5.333.078**

Notes

	Registered in	Corporate form	Equity interest %
Investments in joint ventures companies			
Danish Wastewater Equipment Egypt LLC	Egypten	LLC	60,0

There is a shareholders' agreement between the parties in the joint venture company governing the actual influence to 50%.

	2018 DKK	2017 DKK
10. Contract work in progress		
Contract work in progress	68.424.147	60.889.327
Progress billings regarding contract work in progress	(36.283.548)	(32.479.061)
	32.140.599	**28.410.266**

11. Receivables from group enterprises

Receivables from group enterprises primarily consist of loans to the sister subsidiary, which has liquidity issues. Instalments on the loans will be paid as and when liquidity of the sister subsidiary permits.

	2018 DKK	2017 DKK
12. Deferred tax		
Intangible assets	1.595.000	2.609.000
Property, plant and equipment	1.700.000	1.583.000
Liabilities other than provisions	(112.000)	(65.000)
Tax losses carried forward	(4.981.000)	(6.415.000)
Other taxable temporary differences	5.155.000	5.260.000
	3.357.000	**2.972.000**

Changes during the year	
Beginning of year	2.972.000
Recognised in the income statement	124.000
Other changes	261.000
End of year	**3.357.000**

Notes

	Due within 12 months 2018 DKK	Due within 12 months 2017 DKK	Due after more than 12 months 2018 DKK	Outstanding after 5 years DKK
13. Liabilities other than provisions				
Mortgage debt	521.277	545.131	7.326.489	5.007.675
Bank loans	291.000	372.000	0	0
Debt to other credit institutions	600.000	0	3.400.000	0
	1.412.277	**917.131**	**10.726.489**	**5.007.675**

	2018 DKK	2017 DKK
14. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**1.682.000**	**1.511.000**

Of the total amount, unrecognised lease commitments amount to DKK 1.097k compared to last year's DKK 743k.

15. Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

Moreover, Jyske Bank has issued performance bonds in favour of customers totalling DKK 83k (2017: DKK 83k) and Tryg Garanti has issued performance bonds in favour of customers totalling DKK 4.941k (2017: DKK 5.773k).

16. Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties. The mortgage debt amounts to DKK 7.848k at 31.12.2018. The carrying amount of the property at 31.12.2018 is DKK 15.031k.

Bank debt is secured by way of a deposited mortgage deed and an all-moneys mortgage of nominal DKK 13,000 on the Company's land and buildings as well as property, plant and equipment. The carrying amount is DKK 16.083k at 31.12.2018.

Notes

Furthermore, the Company's bank debt and debt to other credit institutions is secured on a floating charge of nominal DKK 18.500k. The debt amounts to DKK 33.258k at 31.12.2018. The floating charge comprises the following assets:

- Tools and equipment.
- Unsecured claims attributable to the sale of goods and services.
- Goodwill, intangible assets, domain names and rights according to various laws.
- Inventories of raw materials, semi-manufactures and finished goods.
- Motor vehicles that have not previously been registered.

The carrying amount at 31.12.2018 is DKK 29.969k.

Furthermore, the Company has provided its investments in the subsidiary as security for the bank debt. The carrying amount at 31.12.2018 is DKK 0k.

The Company has also provided its deposit account as security for all debt to Jyske Bank. The deposit account amounts to DKK 0k at 31.12.2018.

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.

The accounting policies applied to 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 rate 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, cost of raw materials and consumables and external expenses and other external expenses.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer.

Accounting policies

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).

Costs of raw materials and consumables
Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

Other external expenses
Other external expenses include expenses relating to the Enterprise's ordinary activities, including expenses for premises, stationery and office supplies, promotion expenses, etc. Other external expenses also include impairment losses on 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
Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation 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 intra-group profits or losses.

Other financial income
Other financial income comprises interest income, including interest income from receivables from group enterprises, net capital gains relating to securities, payables and foreign currency transactions, and tax relief under the Danish Tax Prepayment Scheme.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses attributable to payables to subsidiaries, net capital losses on securities, payables and foreign currency transactions, 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
Intellectual property rights etc
Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 5 years.

Property, plant and equipment
Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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.

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:

Buildings	30 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-5 years

Accounting policies

Estimated useful lives and residual values are reassessed annually.

Items of 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 value.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these en-terprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

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.

Investments in joint ventures
Investments in joint ventures are measured at cost. Investments are written down to the lower of recoverable amount and carrying amount.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

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

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.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost.

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

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

Accounting policies

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 finance costs are recognised in the income statement as incurred.

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

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

Other investments
Other current asset investments comprise listed securities measured at fair value (market price) at the balance sheet date.

Cash
Cash comprises cash in hand and bank deposits.

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

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.

Mortgage debt
At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Accounting policies

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.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.