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**Val Controls A/S**
Limfjordsvej 3
6715 Esbjerg N
Central Business Registration No
11774393

# Annual report 2016

The Annual General Meeting adopted the annual report on 26.04.2017

**Chairman of the General Meeting**

Name: Jørgen Einer-Jensen Brammer

# Contents

# Entity details

**Entity**
Val Controls A/S
Limfjordsvej 3
6715 Esbjerg N

Central Business Registration No: 11774393
Registered in: Esbjerg
Financial year: 01.01.2016 - 31.12.2016

Website: www.valcontrols.dk
E-mail: vc@valcontrols.com

**Board of Directors**
Jørgen Einer-Jensen Brammer, formand
Peter Toft
Ingeborg Toft

**Executive Board**
Carsten Toft

**Auditors**
Deloitte Statsautoriseret Revisionspartnerselskab
Dokken 8
Postbox 200
6701 Esbjerg

# Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Val Controls A/S for the financial year 01.01.2016 - 31.12.2016.

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 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

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.

Esbjerg, 26.04.2017

**Executive Board**

Carsten Toft

**Board of Directors**

Jørgen Einer-Jensen Brammer
formand

Peter Toft

Ingeborg Toft

# Independent auditor's report

**To the shareholders of Val Controls A/S**

**Opinion**

We have audited the financial statements of Val Controls A/S for the financial year 01.01.2016 - 31.12.2016, 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 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 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 exits. 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.

Esbjerg, 26.04.2017

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

Jan Teilmann Toustrup
State Authorised Public Accountant

# Management commentary

**Primary activities**

As in prior years, the Company's primary activities consist in developing, designing, manufacturing, selling and repairing electronic control, monitoring and test equipment for valve, actuator and pump systems. The Company's major customers operate within the global oil and gas industries worldwide.

**Development in activities and finances**

The performance in 2016 is considered very good. Val Controls is still the preferred supplier of specialized electronic control systems for ESD valves and has continued to develop the market and its products.

**Outlook**

Despite of the forecast for the oil and gas market in 2017, the company is expected to make a similar positive result as in 2016.

**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

| | Notes | 2016 DKK | 2015 DKK |
|---|---|---|---|
| **Gross profit** | | **6.976.729** | **5.433.173** |
| Staff costs | 1 | (4.299.137) | (3.953.091) |
| Depreciation, amortisation and impairment losses | 2 | (359.425) | (213.766) |
| **Operating profit/loss** | | **2.318.167** | **1.266.316** |
| Other financial income | 3 | 0 | 31.557 |
| Other financial expenses | 4 | (110.217) | (92.413) |
| **Profit/loss before tax** | | **2.207.950** | **1.205.460** |
| Tax on profit/loss for the year | 5 | (485.919) | (274.151) |
| **Profit/loss for the year** | | **1.722.031** | **931.309** |
| **Proposed distribution of profit/loss** | | | |
| Retained earnings | | 1.722.031 | 931.309 |
| | | **1.722.031** | **931.309** |

# Balance sheet at 31.12.2016

| | Notes | 2016 DKK | 2015 DKK |
|---|---|---|---|
| Completed development projects | | 1.002.498 | 457.674 |
| **Intangible assets** | 6 | **1.002.498** | **457.674** |
| Other fixtures and fittings, tools and equipment | | 1.039.119 | 485.033 |
| **Property, plant and equipment** | 7 | **1.039.119** | **485.033** |
| **Fixed assets** | | **2.041.617** | **942.707** |
| Raw materials and consumables | | 5.818.134 | 5.315.412 |
| **Inventories** | | **5.818.134** | **5.315.412** |
| Trade receivables | | 2.887.469 | 1.753.063 |
| Other receivables | | 13.523 | 101.357 |
| Prepayments | | 0 | 417.771 |
| **Receivables** | | **2.900.992** | **2.272.191** |
| **Cash** | | **1.905.819** | **1.599.074** |
| **Current assets** | | **10.624.945** | **9.186.677** |
| **Assets** | | **12.666.562** | **10.129.384** |

# Balance sheet at 31.12.2016

| | Notes | 2016 DKK | 2015 DKK |
|---|---|---|---|
| Contributed capital | | 500.000 | 500.000 |
| Retained earnings | | 7.364.734 | 5.642.703 |
| **Equity** | | **7.864.734** | **6.142.703** |
| Deferred tax | 8 | 339.710 | 153.189 |
| **Provisions** | | **339.710** | **153.189** |
| Trade payables | | 195.525 | 53.057 |
| Payables to group enterprises | | 3.198.592 | 3.011.908 |
| Payables to shareholders and management | | 471 | 0 |
| Income tax payable | | 299.398 | 124.362 |
| Other payables | 9 | 768.132 | 644.165 |
| **Current liabilities other than provisions** | | **4.462.118** | **3.833.492** |
| **Liabilities other than provisions** | | **4.462.118** | **3.833.492** |
| **Equity and liabilities** | | **12.666.562** | **10.129.384** |
| Contingent liabilities | 10 | | |

# Statement of changes in equity for 2016

| | Contributed capital DKK | Retained earnings DKK | Total DKK |
|---|---|---|---|
| Equity beginning of year | 500.000 | 5.642.703 | 6.142.703 |
| Profit/loss for the year | 0 | 1.722.031 | 1.722.031 |
| **Equity end of year** | **500.000** | **7.364.734** | **7.864.734** |

# Notes

| | 2016<br>DKK | 2015<br>DKK |
|---|---|---|
| **1. Staff costs** | | |
| Wages and salaries | 3.729.157 | 3.453.358 |
| Pension costs | 357.618 | 347.275 |
| Other social security costs | 81.143 | 76.925 |
| Other staff costs | 131.219 | 75.533 |
| | **4.299.137** | **3.953.091** |
| | | |
| Average number of employees | **8** | **8** |

| | 2016<br>DKK | 2015<br>DKK |
|---|---|---|
| **2. Depreciation, amortisation and impairment losses** | | |
| Amortisation of intangible assets | 87.713 | 74.472 |
| Impairment losses on intangible assets | 80.948 | 0 |
| Depreciation of property, plant and equipment | 289.164 | 139.294 |
| Profit/loss from sale of intangible assets and property, plant and equipment | (98.400) | 0 |
| | **359.425** | **213.766** |

| | 2016<br>DKK | 2015<br>DKK |
|---|---|---|
| **3. Other financial income** | | |
| Interest income | 0 | 124 |
| Exchange rate adjustments | 0 | 31.433 |
| | **0** | **31.557** |

| | 2016<br>DKK | 2015<br>DKK |
|---|---|---|
| **4. Other financial expenses** | | |
| Financial expenses from group enterprises | 63.057 | 92.338 |
| Interest expenses | 79 | 75 |
| Exchange rate adjustments | 47.081 | 0 |
| | **110.217** | **92.413** |

# Notes

| | 2016<br>DKK | 2015<br>DKK |
|---|---|---|
| **5. Tax on profit/loss for the year** | | |
| Tax on current year taxable income | 299.398 | 124.362 |
| Change in deferred tax for the year | 186.521 | 159.921 |
| Effect of changed tax rates | 0 | (10.132) |
| | **485.919** | **274.151** |

| | Completed develop-ment projects<br>DKK |
|---|---|
| **6. Intangible assets** | |
| Cost beginning of year | 532.146 |
| Additions | 713.485 |
| Disposals | (107.931) |
| **Cost end of year** | **1.137.700** |
| | |
| Amortisation and impairment losses beginning of year | (74.472) |
| Impairment losses for the year | (80.948) |
| Amortisation for the year | (87.713) |
| Reversal regarding disposals | 107.931 |
| **Amortisation and impairment losses end of year** | **(135.202)** |
| | |
| **Carrying amount end of year** | **1.002.498** |

# Notes

| | Other fixtures and fittings, tools and equipment DKK |
|---|---|
| **7. Property, plant and equipment** | |
| Cost beginning of year | 1.095.263 |
| Additions | 903.250 |
| Disposals | (270.000) |
| **Cost end of year** | **1.728.513** |
| | |
| Depreciation and impairment losses beginning of the year | (610.230) |
| Depreciation for the year | (289.164) |
| Reversal regarding disposals | 210.000 |
| **Depreciation and impairment losses end of the year** | **(689.394)** |
| | |
| **Carrying amount end of year** | **1.039.119** |

| | 2016 DKK | 2015 DKK |
|---|---|---|
| **8. Deferred tax** | | |
| Intangible assets | 220.550 | 107.553 |
| Property, plant and equipment | 119.160 | 45.636 |
| | **339.710** | **153.189** |

| | 2016 DKK | 2015 DKK |
|---|---|---|
| **9. Other payables** | | |
| Wages and salaries, personal income taxes, social security costs, etc payable | 664.092 | 588.760 |
| Other costs payable | 104.040 | 55.405 |
| | **768.132** | **644.165** |

# Notes

**10. Contingent liabilities**

The Entity participates in a Danish joint taxation arrangement in which Toft Holding Esbjerg ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed entities, and from 1 July 2012 for obligations, if any, relating to the withholding of tax on interest. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

# 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.

**Income statement**
**Gross profit or loss**
Gross profit or loss comprises revenue, changes in inventories of finished goods, cost of raw materials and consumables and 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. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

**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 write-downs of the relevant inventories.

**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.

# Accounting policies

**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 relating to intangible assets and property, plant and equipment 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.

**Other financial income**
Other financial income comprises dividends etc received on other investments, interest income, net capital gains on transactions in foreign currencies as well as tax relief under the Danish Tax Prepayment Scheme etc.

**Other financial expenses**
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on transactions in foreign currencies as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

**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 Toft Holding Esbjerg ApS and all it's 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.

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 attributable to the development projects.

# Accounting policies

Indirect production costs in the form of indirectly attributable staff costs used in the development process are recognised in cost based on time spent on each project.

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. The amortisation periods used are 5 years.

**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.

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 | 3-5 years |

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.

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

Cost of goods for resale, raw materials, consumables, consists of purchase price plus delivery 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 writedowns for bad and doubtful debts.

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

**Cash**
Cash comprises bank deposits.

# Accounting policies

**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.

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.

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

**Income tax receivable or payable**
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