Global Scanning Denmark A/S

Svanevang 2, 3450 Allerød

CVR nr. 12 75 92 82

Annual Report

for the year ended 31 December 2015
29nd financial year

Adopted at the Annual General Meeting of shareholders
on 27 April 2016

Gunnel Duveblad

....
Chairman

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Company details

Main office
Global Scanning Denmark A/S
Svanevang 2
3450 Allerød

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Country of incorporation
Denmark

Board of Directors
Tomas Håkan Therén (Chairman)
Oskar Emanuel Lindholm
Gunnel Ellinor Duveblad

Executive Board
Graham James Ohn Tinn (CEO)
Anja Møller Folkvardsen (CFO)

Shareholders holding 5% or more of the share capital or the voting rights	Percentage
Global Scanning A/S, Denmark, reg. no. 34 61 31 41	100%

Parent
Global Scanning A/S, Allerød

Ultimative parent

Procuritas Capital Investors V LP

Auditors
Ernst & Young Godkendt Revisionspartnerselskab

Bankers
Nordea Bank Danmark A/S

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Global Scanning Denmark A/S for the financial year 1 January - 31 December 2015.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements in The Danish Statements Act.

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2015.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Allerød, 27 April 2016

Executive board:

Graham James Ohn Tinn
(CEO)

Anja Møller Folkvardsen
(CFO)

Board of Directors:

Tomas Håkan Therén
Chairman

Oskar Emanuel Lindholm

Gunnel Ellinor Duveblad

Independent auditors' report

To the Shareholders of Global Scanning Denmark A/S

Independent auditors´ report on the financial statements

We have audited the financial statements of Global Scanning Denmark A/S for the financial year 1 January - 31 December 2015, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including summary of significant accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements in the Danish Financial Statements Act.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company´s financial position at 31 December 2015 and of the results of the its operations and cash flows for the financial year 1 January – 31 December 2015 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements in the Danish Statements Act.

Statement on the Management's Review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management´s review is consistent with the financial statements.

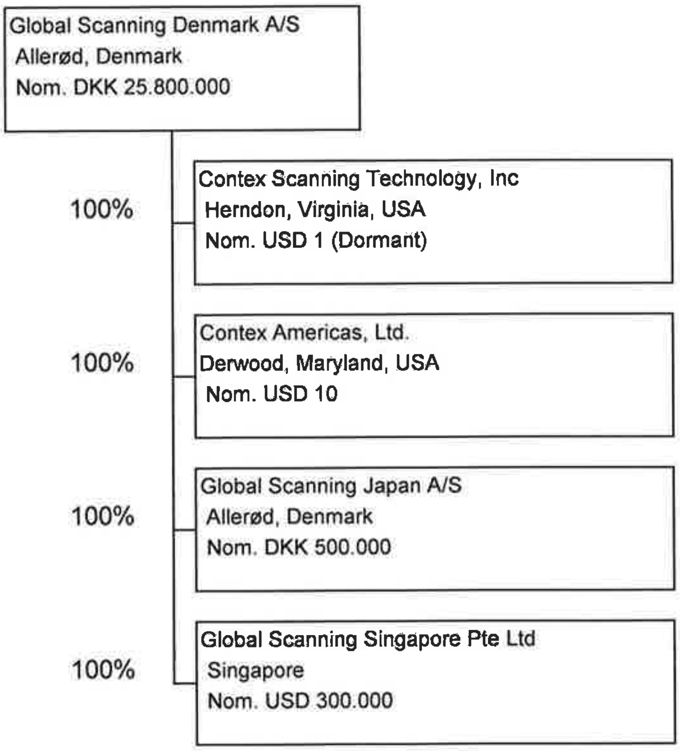
Copenhagen, 27 April 2016

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Eskild N. Jakobsen
State Authorised Public Accountant

Alex Petersen
State Authorised Public Accountant

Group chart


Global Scanning Denmark A/S
Allerød, Denmark
Nom. DKK 25.800.000
100%
Contex Scanning Technology, Inc
Herndon, Virginia, USA
Nom. USD 1 (Dormant)
100%
Contex Americas, Ltd.
Derwood, Maryland, USA
Nom. USD 10
100%
Global Scanning Japan A/S
Allerød, Denmark
Nom. DKK 500.000
100%
Global Scanning Singapore Pte Ltd
Singapore
Nom. USD 300.000

Financial highlights

In USD thousands, except ratios, USD rate and number of employees.

Key figures	2015	2014	2013	2012	2011
Profit & Loss					
Revenue	22.475	28.254	28.291	40.594	45.752
Operating profit	(911)	(485)	16	4.035	5.253
Net financials	347	(573)	(967)	(1.449)	(186)
Net profit/loss for the year	(315)	(881)	(7.843)	1.961	3.998
Cash Flows					
Cash flows from operating activities	3.941	4.621	1.496	4.548	8.366
Cash flow to investments	(2.243)	(2.923)	(3.504)	(3.521)	(5.174)
Net cash flow for the year	(1.665)	1.584	(2.694)	(806)	(1.161)
Cash and cash equivalents at year-end	(1.712)	(47)	(1.631)	1.063	1.869
Balance sheet					
Total equity	2.158	2.067	4.009	15.382	16.908
Total assets	21.724	21.863	24.258	38.650	33.816
Exchange rate per balance sheet date DKK/USD	6,86	6,11	5,41	5,65	5,75
Average number of employees	93	116	114	124	131

Management´s Review

The Company develops manufactures and markets large-format scanning solutions for the computer-aided design (CAD), geographic information systems (GIS), reprographic products, copy services and document archiving segments. Global Scanning Denmark's scanners are sold under the brand "Contex" and digitally capture documents, drawings and other 2D input in order to view, edit, archive, convert or print output data.

The Company aims to be a global leader. The Company's products are sold across the world through dealers and distributors and via OEM agreements with major enterprises.

Net profit for the year

The net result was lower than expected. The Company´s revenue totaled USD 22,475 thousand, down from USD 28,254 thousand in 2014. The operating profit is negative by USD 911 thousand (negative USD 485 thousand in 2014) and the deficit for the year before tax is USD 564 thousand against a loss of USD 1,058 thousand in 2014.

The balance sheet total at 31 December 2015 was USD 21,724 thousand compared to USD 21,863 thousand in 2014. Cash at 31 December 2015 had decreased by USD 1,665 thousand in net value, and the unused credit facilities totalled USD 3,391 thousand. Total investments in the year were USD 2,243 thousand.

As the major part of the company's cash flows are denominated in USD, the company uses forward exchange contracts to hedge DKK cash flows related to the production of large-format scanners. Forward exchange contracts are entered into 9-15 months before the expected exercise date.

Furthermore the company´s financing denominated in DKK was hedged using forward exchange contracts with same instalment profiles as the financing in DKK in 2015. The bank loans and the forward exchange contracts were repaid in December 2015.

Movements in the DKK/USD rate during 2016 can have a limited impact on the Group's operating profit. Existing forward exchange contracts at 31 December 2015 showed an average DKK/USD rate of 5.57. The company has only entered into forward exchange contracts covering 5 months of 2016 due to a transition of operation away from DKK cash flow during the year.

Capital structure

Equity and gearing

The Company's capital structure is as follows:

	2015 USD'000	2014 USD'000
Debt:		
Interest-bearing loans and other borrowings	3.780	8.669
Cash	(2.068)	(340)
Net debt	1.712	8.329
Total equity	2.158	2.067
Total capital employed	3.870	10.396

Debt profile

The Company's debt profile is as follows:

	2015 USD'000	2014 USD'000
Short-term liabilities:		
Bank debt	3.780	8.669
Long-term liabilities other than provisions:		
Bank debt	0	0
	3.780	8.669

Management´s Review, continued

Research and development

The company has, during the year, developed new product platforms for both scanners and software.

The development will continue with a further strengthening of the product program.

It is the Company's opinion that it has gained a competitive edge with its product portfolio.

Outlook

Global Scanning Denmark A/S has a strong global market position, including opportunities for further profitable growth. A continued focus on R&D investments will enhance the competitive advantages. The outlook for 2016 is cautiously optimistic, and the company expects the revenue for 2016 to be in line with 2015. Furthermore the company has announced an efficiency improvement in the production setup during 2016 which will have a future positive impact on the result.

The company expects a result that is positive but close to zero in 2016.

Subsequently events

No post balance sheet events have occurred which could materially affect the assessment of the Group´s financial position.

Corporate Social Responsibilities

No CSR policy including separate policies for human rights and reduction of climate impact has been prepared by the group.

Gender composition of management

The Board of Directors consists of 1 woman (33.3%) and 2 men (66.7%). Inevitably, a gender is under-represented and it is the Board´s objective that the under-represented sex must remain at least 33.3%

Management has adopted a policy to increase the share of the under-represented sex to the other levels of management, which includes the company expanded executive and middle management. The policy sets internal targets for the proportion of female managers and policy also provides guidelines for the recruitment and retention of women leaders in the Company.

Specifically, the company has initiated several actions to increase the proportion of female managers:

- Personnel policy that promotes career opportunities for both sexes
- Recruitment procedures, which help to ensure a level recruitment opportunities for both sexes

The initiatives has been implemented in 2013 and has not yet had an effect, and the proportion of female managers at other levels of management is 20%. The company expects as a result of the initiatives put in place that the proportion of female managers at other management levels will rise slightly in the coming years.

Statement of income
for the year ended 31 December

	Notes	2015 USD'000	2014 USD'000
Revenue		22.475	28.254
Production costs	4	(18.802)	(23.222)
Gross profit		**3.673**	**5.032**
Distribution costs	4	(2.709)	(3.569)
Administrative costs	4	(2.005)	(2.119)
Other operating income	5	130	171
Operating profit		**(911)**	**(485)**
Impairment of subsidiaries		0	0
Financial income	6	1.527	464
Financial expenses	7	(1.180)	(1.037)
Pre-tax profit		**(564)**	**(1.058)**
Income taxes	8	248	177
Net profit for the year		**(315)**	**(881)**

Statement of comprehensive Income

	Notes	2015 USD'000	2014 USD'000
Net profit for the year		(315)	(881)
Other comprehensive income			
Other comprehensive income to be reclassified to profit and loss in subsequent periods			
Valuation adjustment for the year on cash flow hedges		(1.507)	(381)
Valuation adjustment reclassified to production, distribution and administrative costs		1.747	28
Valuation adjustment reclassified to financial items		292	(1.061)
Income tax effect		(125)	354
Total comprehensive income for the year, net of tax		**91**	**(1.942)**

Balance sheet
at 31 December

	Notes	2015 USD'000	2014 USD'000
Assets			
Non-current assets			
Development costs		5.088	5.804
License rights and patents		850	717
Total intangible assets	9	5.938	6.521
Property, plant and equipment			
Land and buildings		2.747	2.975
Plant and machinery		65	159
Other plant, operating equipment etc.		548	819
Total property, plant and equipment	10	3.360	3.953
Investments			
Investments in subsidiary		0	0
Total investments	11	0	0
Total non-current assets		9.298	10.474
Current assets			
Inventories			
Raw materials and consumables		2.788	3.408
Work in progress		116	70
Finished goods		388	551
Total inventories	12	3.292	4.029
Receivables			
Trade receivables	13	2.751	4.036
Receivable from group enterprises		3.672	2.655
Other receivables		72	63
Income tax receivable	16	306	0
Prepayments		265	266
Total receivables		7.066	7.020
Cash and cash equivalents		2.068	340
Total current assets		12.426	11.389
Total assets		21.724	21.863

Balance sheet

at 31 December

	Notes	2015 USD'000	2014 USD'000
Equity and liabilities			
Shareholders' equity			
Share capital		3.401	3.401
Retained earnings		(1.242)	(1.334)
Proposed dividend		0	0
Total shareholders'equity		2.158	2.067
Liabilities other than provisions			
Deferred tax	14	1.336	1.003
Bank loans	15	0	0
Long-term liabilities other than provisions		1.336	1.003
Current portion of long-term liabilities other than provisions	15	0	8.282
Bank debt	15	3.780	387
Trade payables		935	1.332
Income taxes payable	16	0	13
Payables to group enterprises		11.306	5.370
Other liabilities		2.209	3.409
Short-term liabilities		18.229	18.792
Total liabilities other than provisions		19.566	19.796
Total equity and liabilities		21.724	21.863
Contingent assets and liabilities and other financial obligations	17		
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Statement of changes in shareholders´equity

USD´000	Share capital	Retained earnings	Proposed dividend	Total
Balance 1/1 2014	3.401	608	0	4.009
Dividend	0	0	0	0
Net profit for the year		(881)		(881)
Valuation adjustment for the year, cash flow hedges		(381)		(381)
Valuation adjustment reclassified to production, distribution and administrative costs		28		28
Valuation adjustment reclassified to financial items		(1.061)		(1.061)
Income tax effect	0	354	0	354
Balance 1/1 2015	3.401	(1.334)	0	2.067
Dividend	0	0	0	0
Net profit for the year		(315)		(315)
Valuation adjustment for the year, cash flow hedges		(1.507)		(1.507)
Valuation adjustment reclassified to production, distribution and administrative costs		1.747		1.747
Valuation adjustment reclassified to financial items		292		292
Income tax effect	0	(125)	0	(125)
Shareholders´equity at 31/12 2015	3.401	(1.242)	0	2.158

Cash flow statement

	2015 USD'000	2014 USD'000
Operating profit/loss	(911)	(485)
Amortisation/Depreciation	3.372	4.262
EBITDA	2.461	3.777
Change in inventory and receivables	2.014	1.669
Change in trade payables	(397)	(199)
Change in other current liabilities	467	59
Interest received	0	0
Interest paid	(547)	(639)
Income taxes paid	(58)	(46)
Cash flow from operating activities	3.941	4.621
Additions of intangible assets	(1.849)	(2.422)
Additions of property, plant and equipment	(394)	(501)
Cash flow from investing activities	(2.243)	(2.923)
Proceeds from borrowings	0	0
Repayment of borrowings	(8.282)	(595)
Dividend paid	0	0
Change in receivables from group enterprises	(1.017)	(438)
Change in payables to parent company	5.936	919
Change in non-current liabilities	(0)	0
Cash flow from financing activities	(3.363)	(114)
Net cash flow for the year	(1.665)	1.584
Cash and cash equivalents at 1/1 2015	(47)	(1.631)
Net cash flow for the year	(1.665)	1.584
Cash and cash equivalents at 31/12 2015	(1.712)	(47)
Cash and cash equivalents at 31/12 2015		
Cash	2.068	340
Bank debt	(3.780)	(387)
	(1.712)	(47)
Unutilised portion of credit facilities including cash and cash equivalents	3.391	4.042

Notes

Note 1 Accounting Policies

The Annual Report has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU with effect as of 1 January 2015 and additional disclosure requirements for annual reports of large reporting class C enterprises.

The financial statements of the company are presented in US dollars, which is the company' functional and presentation currency.

Accounting policies are unchanged compared to last year with the following exceptions:

New and amended standards and interpretations that have become operative:
In its Annual Report for 2015, the company has implemented all new IFRS standards, amendments to existing standards and IFRIC interpretations that have been adopted by the EU and are operative for financial statements covering periods beginning on or after 1 January 2015.

No standards and amendments to existing standards which are relevant for the company have affected the financial statements for 2015.

The following standards, amendments to existing standards and interpretations have been implemented but have no effect on the company's Annual Report:

- IAS 19 Defined Benefit Plans: Employee Contributions — Amendments to IAS 19.
- Parts of Annual Improvements to IFRSs 2010-12 Cycle.
- Annual Improvements to IFRSs 2011-13 Cycle.
- Amendments to IAS 19 concern employees' and third parties' contributions to pension plans.
- Annual Improvements to IFRSs 2010-12 Cycle imply amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. The amendments must be considered very specific amendments with a narrow scope. The amendments to IFRS 2 and IFRS 3 apply to transactions where the date of grant, respectively the date of acquisition, is 1 July 2014 or later. These parts of Annual Improvements to IFRSs 2010-12 have therefore been implemented in the financial year 2014.
- Annual Improvements to IFRSs 2011-13 Cycle imply amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40. As the abovementioned Annual improvements, these amendments must be considered very specific amendments with a narrow scope.

In addition, the IASB has issued a number of new standards, amendments to existing standards and interpretations which are not relevant for the company and which are therefore not expected to affect its future annual reports.

Consolidation
During 2008 a company has been acquired in the USA, which is not consolidated in the accounts because the group consolidation is done in the ultimate parent company Global Scanning A/S.

Only one consolidated financial report including all the other group enterprises is prepared, as the 'subsidiaries' are considered solely as representation offices or branches.

Currency translation

Transactions in foreign currency are translated into USD at the exchange rate at the date of the transaction.

Monetary items denominated in foreign currency are translated into USD at the exchange rates at the balance sheet date. Realized and unrealized exchange gains and losses are recognized in the income statement as financial income/expenses.

Notes

Note 1 Accounting Policies, continued

Derivative financial instruments

The Company enters into forward exchange contracts to hedge the future value of its cash flows. Upon initiation of contracts, the Company classifies each contract that qualifies for hedge accounting as a hedge for a specific hedged financial transaction or firm commitment.

On initial recognition, all forward exchange contracts are measured at cost and subsequently re-measured at their fair value at the balance sheet date. The value adjustments on forward contracts designated as hedges are taken directly to equity, given hedge effectiveness. The value adjustments on those forward contracts that do not meet the requirements of IAS 39 for hedge accounting are recognized directly in the income statement under financial income/expenses.

Revenue

Revenue is recognized to the extent that it is probable the economic benefits will flow to the company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

Sales of goods

Revenue from the sale of goods is recognized when significant risk and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Rendering of services

Revenue from service contracts is allocated over the service period.

Production costs

Production costs comprise the direct production costs and production overheads relation to revenue and direct costs and costs of labor for product development, which have not been capitalized according to IAS 38.

Distribution costs

Distribution costs comprise the expenses relation to distribution and sale of products, salaries to the sales staff, advertising and exhibition expenses etc.

Administrative expenses

Administrative expenses comprise expenses for the administrative staff and management including office expenses, salaries etc.

Other operating income

Other operating income comprises income of secondary nature in relation to the activities of the Company, including rental income, sale of scrap and gain on sale of fixed assets.

Notes

Note 1 **Accounting policies, continued**

Amortization/depreciation and write-downs

Depreciation and write-downs include depreciation and write-downs of intangible assets and property, plant and equipment.

Property, plant and equipment include land and building, plant and machinery, other fixture and fittings, tools and equipment and leasehold improvement.

Land is recorded at cost and is not depreciated.

Intangible assets include development costs and patents.

Intangible assets and property, plant and equipment are amortized/depreciated on a straight-line basis on the basis of the cost, measured by reference to the following assessment of the useful life of the assets:

	Years	Scrap value
Development costs	3	0%
Patents	10	0%
Buildings	30	0%
Plant and machinery	4-8	0%
Other operating equipment, etc.	2-6	0%

Net financials

Financial income and expenses are recognized in the income statement at the amounts that relate to the reporting period. Net financials include interest income and expenses, realized and unrealized capital and exchange gains and losses on foreign currency transactions and surcharges and allowances under the advance-payment -of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year´s expected taxable income and the year´s deferred tax adjustments less the share of the tax for the year that concerns changes in equity.

The parent company and all Danish group enterprises are jointly taxed. The Danish corporation tax charge is allocated between profit-making and loss-making Danish enterprises in proportion to their taxable income (full allocation).

Notes

***Note 1* Accounting policies, continued**

Intangible assets

Development projects

Development project that are clearly defined and identifiable and in respect of which the technological feasibility, sufficient resources and a potential future marked or development potential in the enterprise can be demonstrated, and where the intention is to produce, market or use the product or the process, are recognized as intangible assets provided that it is sufficiently certain that the future earnings are adequate to cover the production, sales and administrative expenses and the aggregate development costs. Other development costs are expended in the income statement as incurred.

Development costs are measured at direct costs.

An impairment test is made for acquired intangible assets if there are indications of decreases in value. The impairment test is made for each individual asset or group of assets, respectively. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount.

Impairment test is made at yearend for intangible assets that are not ready for use.

Patents

Patents are measured at cost less accumulated amortization and write-down.

Property, plant and equipment

Property, plant and equipment comprise land and buildings, production equipment, machinery and other fixtures, fittings, tools and equipment. Property, plant and equipment are measured at cost less accumulated depreciation and write-downs.

An impairment test is made for property, plant and equipment if there are indications of decreases in value. The impairment test is made for each individual asset or group of assets, respectively. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount.

Investments

The value of investments in subsidiaries is stated in the parent company´s financial statement according to the cost method.
Investments are tested for impairment if there is any indication of decreases in value.

Inventories

Inventories are measured at the lower cost (FIFO basis) and net realizable value.

Raw materials and consumables are measured at cost.

Work in progress and finished goods are measured at manufacturing cost, which includes the cost of materials and direct payroll costs plus production overheads.

Notes

Note 1 **Accounting policies, continued**

Receivables

Trade receivables are measured at the lower of amortized cost, which essentially corresponds to the nominal account receivable, and net realizable value, calculated by reference to an assessment of each individual receivable.

Prepayments

Prepayments recognized under assets comprise prepaid expenses.

Shareholders´ equity

Dividends proposed for the reporting period are presented as a separate item under Shareholders´ equity. Purchase and sales amounts for treasury shares are recognized directly on equity.

Income taxes

Current tax charges are recognized in the balance sheet as the estimated tax charge in respect of the expected taxable income for the year, adjusted for tax on prior years´ taxable income and tax paid in advance.

Provisions for deferred tax are calculated of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations for the taxable income.

Deferred tax assets are recognized at the value at which they are expected to be utilized, either through elimination against tax on future earnings or a set-off against deferred tax liabilities.

Liabilities

Financial liabilities are recognized at the inception of the loan at the proceeds received net of transaction costs incurred. Interest-bearing debt is subsequently measured at amortized cost, using the effective interest rate method at the time of the inception.

Other debt liabilities are measured at net realizable value.

Other financial obligations

The Company has entered into lease contracts for operation equipment for a period of several years. Lease payments are included in the income statement. Total lease commitments are stated under other financial obligations.

Cash flow

The cash flow statement shoes the enterprise´s net cash flows, the year´s changes in cash and cash equivalents and the enterprise´s cash and cash equivalents at the beginning and at the end of the year.

Cash flow from operation activities are presented using the indirect method and are made up as the net profit or loss for the year, adjusted for non-cash operating items, changes in working capital, paid financial and extraordinary expenses and paid income taxes.

Notes

Note 1 **Accounting policies, continued**

Cash flow from investing activities comprises payments related to additions and disposals of fixed assets, securities related to investing activities.

Cash flow from financing activities comprises dividends paid to shareholders, capital increases and reductions and the raising of loans and repayments of interest-bearing debt.

Cash and cash equivalents comprise cash and near money securities in respect of which the rest of changes in value is insignificant.

Note 2 Significant accounting judgments, estimates and assumptions

In the process of applying the Company´s accounting policies, management has made the following judgments and estimates, which have a significant effect on the amounts recognized in the financial statements.

Capitalized Development Costs

Development costs are capitalized based on ongoing assessments when they meet the criteria as described in note 1.

Capitalized Development Costs are annually reviewed for impairment indicators. If there is evidence of impairment, an impairment test is carried out for the project concerned. The impairment test is prepared on the basis of factors such as the future use of the project, the present value of expected future income, interest and risk.

Recognition of intangible and property, plant and equipment

The Company determines whether non-current assets are impaired at least once a year.

Note 3 Subsequent Events

No post balance sheet events have occurred in 2016 which could materially affect the assessment of the Group´s financial position.

Notes

Note 4. Expenses

4.1 Amortisation/depreciation and writedowns

Analysis of amortisation/depreciation and writedowns for the year:

	2015 USD'000	2014 USD'000
Land and buildings	238	237
Plant and machinery	132	149
Other plant, operating equipment etc.	570	772
Development costs	2.419	3.104
License rights and patents	13	0
	3.372	4.262

4.2 Staff costs

The average number of staff during the year was 93 employees (2014: 116 employees).

Analysis of total payroll costs, etc.:

	2015	2014
Remuneration and salaries to the management (key management personnel)	798	510
Defined contribution plans to the management (key management personnel)	62	56
Wages and salaries	7.894	9.355
Bonuses	297	449
Defined contribution plans	401	600
Other social security costs	104	126
	9.556	11.096

4.3 Audit fee

	2015	2014
Fee for statutory audit	58	66
Fee for tax advice	0	11
Fee for non-audit services	0	1
	58	78

4.4 Research and development

Research and development expenses in 2015 amounted to USD 4.827 thousand (2014: USD 5.738 thousand) of which USD 1.703 thousand was capitalised. Net development expenses amount to USD 5.556 thousand (2014: USD 6.636 thousand).

Note 5. Other operating income

	2015	2014
Sale of scrap	31	53
Rental income	99	118
	130	171

Note 6. Financial income

	2015	2014
Foreign currency exchange gain	1.527	464
	1.527	464

Note 7. Financial expenses

	2015	2014
Foreign currency exchange loss	0	0
Interest expenses	547	639
Interests expenses to group enterprises	237	227
Other	396	171
	1.180	1.037

Notes

	2015 USD´000	2014 USD´000
Note 8. Income taxes		
Tax in the Statement of income		
Estimated tax on the taxable income for the year	0	0
Income tax, carry back refund	(512)	0
Adjustments prior years	0	0
Foreign tax	58	63
FX adjustment of opening amount	0	0
Change in deferred tax	206	(240)
	(248)	(177)

	2015	2014
Tax in the Statement of comprehensive income		
Net adjustments of cash flow hedges	125	(354)
	125	(354)

	2015	2014
Reconciliation of tax rate		
Danish tax rate	24%	25%
Adjustment relating to previous years	0%	0%
Permanent differences	5%	-8%
Carry back refunded at 25% tax rate	12%	0%
Foreign currency exchange differences	3%	0%
Effective tax rate	44%	17%

Tax paid during the tax year amounts to USD 58 thousand exclusive of interest surcharges.
Provision for current tax on the profit for the year has been made at USD 0 thousand.

Note 9. Intangible assets

	Development costs	*License rights and patents*	Total
USD´000			
Cost at 1/1 2014	14.917	501	15.418
Disposal at cost	(747)	0	(747)
Additions	2.206	216	2.422
Cost at 31/12 2014	16.376	717	17.093
Amortisation at 1/1 2014	8.215	0	8.215
Disposals	(747)	0	(747)
Amortisation	3.104	0	3.104
Amortisation at 31/12 2014	10.571	0	10.571
Carrying amount at 31/12 2014	5.804	717	6.521
Cost at 1/1 2015	16.376	717	17.093
Disposal at cost	0	0	0
Additions	1.703	146	1.849
Cost at 31/12 2015	18.079	863	18.942
Amortisation at 1/1 2015	10.571	0	10.571
Disposals	0	0	0
Amortisation	2.419	13	2.432
Amortisation at 31/12 2015	12.990	13	13.003
Carrying amount at 31/12 2015	5.088	850	5.938

Notes

Note 9. Intangible assets (continued)

At December 31 2015 the balance of 5.088 KUSD regarding development costs contains 3 significant projects with a total value of 2.717 KUSD of which 1 project has not been released yet.

Amortisation and writedowns of intangible assets are included in production costs.

In 2015 there has not been any indication of need to make any impairment of intangible assets.

Note 10. Property, plant and equipment

USD´000	Land and Buildings	Plant and Equipment	Other plant, operating equipment etc.	Total
Cost at 1/1 2014	7.509	4.755	4.597	16.862
Disposal at cost	0	0	0	0
Additions	(0)	55	446	501
Cost at 31/12 2014	7.509	4.810	5.044	17.363
Depreciation and writedowns at 1/1 2014	4.297	4.502	3.453	12.251
Disposals	0	0	0	0
Depreciation	237	149	772	1.159
Depreciation and writedowns at 31/12 2014	4.534	4.651	4.225	13.410
Carrying amount at 31/12 2014	2.975	159	819	3.953
Cost at 1/1 2015	7.509	4.810	5.044	17.363
Disposal at cost	0	0	(47)	(47)
Additions	10	38	346	394
Cost at 31/12 2015	7.519	4.848	5.343	17.711
Depreciation and writedowns at 1/1 2015	4.534	4.651	4.225	13.410
Disposals	0	0	0	0
Depreciation	238	132	570	941
Depreciation and writedowns at 31/12 2015	4.772	4.783	4.795	14.350
Carrying amount at 31/12 2015	2.747	65	548	3.360

In 2015 there has not been any indication of need to make any impairment of tangible assets.

Notes

Note 11. Investments

The fiscal year´s investments in and value adjustments of securities and investment in subsidiaries, which are financial assets, are specified as follows:

	Investment in subsidiary
USD´000	
Cost at 1/1 2014	7.000
Additions	0
Cost at 31/12 2014	7.000
Impairment at 1/1 2014	(7.000)
Impairment during the year	0
Impairment at 31/12 2014	0
Carrying amount at 31/12 2014	0
Cost at 1/1 2015	7.000
Additions	0
Cost at 31/12 2015	7.000
Impairment at 1/1 2015	(7.000)
Impairment during the year	0
Impairment at 31/12 2015	0
Carrying amount at 31/12 2015	0

Note 12. Inventories

Movements in the provision for impairment of inventory were as follows:

Cost at 1/1 2014	-869
Adjustment	-42
Cost at 31/12 2014	-911
Adjustment	130
Cost at 31/12 2015	-781

This expense is included in production costs.

Note 13. Trade receivables

Trade receivables are non-interest bearing and are generally on 30-60 days terms.

As at 31 December 2015, trade receivables at nominal value of USD 100 thousand (2014: USD 142 thousand) were impaired for.

Movements in the provision for impairment of receivables were as follows:

Cost at 1/1 2014	125
Additions	17
Cost at 31/12 2014	142
Disposals	-140
Additions	98
Cost at 31/12 2015	100

Notes

Note 13. Trade receivables (continued)

Analysis of trade receivables that were past due but not impaired at 31 December 2015:

	Total	*Neither past due nor impaired*	*Past due but not impaired* <60 days	>60 days
2014	4.178	2.956	813	409
2015	2.851	2.241	282	328

Note 14. Deferred tax

Analysis of deferred tax:	2015 USD'000	2014 USD'000
Property, plant and equipement	21	150
Intangible assets	1.248	1.416
Inventories	66	122
Prepaid Expenses	58	0
Tax loss carried forward	(57)	(684)
	1.336	1.003

	Deferred tax	Income taxes receivable	Tax in income statement
Opening balance of 1 January 2015	1.003	13	
Income taxes received (paid)	0	302	
Foreign taxes received (paid)		(58)	
Calculated foreign tax	0	48	58
Estimated tax on the taxable income for the year	0	0	0
Change in deferred tax	333	0	206
Income tax, carry back refund			(512)
Adjustments prior years	0	0	0
FX adjustment of opening amount	0	0	0
Closing balance as of 31 December 2015	1.336	306	(248)

Note 15. Bank loans, Mortgage debt and other bank debt

The debt is due for repayment in the following order:	2015 USD'000	2014 USD'000
Within 1 year	3.780	8.669
Between 1 and 5 years	0	0
After 5 years	0	0
	3.780	8.669

Note 16. Income taxes

Estimated income taxes	(1)	(1)
Receivable tax	(302)	0
Due in subsidaries	(3)	14
	(306)	13

Notes

Note 17. Contingent liabilities and security for loans

The company´s other financial obligations mainly relate to operating leases for office premises and operating equipment.

	2015	2014
	USD´000	USD´000
Within 1 year	40	45
Between 1 and 5 years	15	33
After 5 years	0	0
	55	79
Total expenditure charged to the Income statement	134	123

Pledged assets for loans

The owner´s mortgage deed in the properties nominally USD 9.830 thousand (2014: USD 11.026) is pledged to banks in the Company and in Global Scanning A/S.

Carrying amount of assets	2.747	2.975

The company has entered into a new credit agreement with Nordea Bank Danmark A/S with a variable credit line of up to DKK 35 million and an over the counter facility of up to DKK 25 million. The company has given Nordea Bank Danmark A/S a security in inventories and trade receivables for DKK 10 million. The value of inventories and trade receivables as per 31 December 2015 is USD 6,043 thousand.

Contingent liabilities

In 2013, the company joined the joint taxation arrangement with the parent company Global Scanning A/S as management company and other Danish group entities, thus becoming jointly and severally liable with these entities for payment on income taxes and withholding tax in the group of jointly taxed entities.

Note 18. Foreign currency

Foreign currency risks

As a result of the operation in Denmark, the Company is exposed to a risk in cash flow from foreign currencies and in the balance sheet and and can be affected by movements in the USD/DKK and USD/EUR foreign exchange rates. The foreign currency in the balance sheet have been specified below:

USD´000

Currency	***Assets***		***Liabilities***		***Net***	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
DKK Danish kroner	227	269	5.957	3.254	(5.730)	(2.985)
EUR Euros	429	781	9	6	420	775
Other currencies	91	120	41	38	50	82
	747	1.170	6.007	3.298	(5.260)	(2.128)

Impact on the results of operations and changes in shareholders' equity resulting from a change of the Company's primary foreign currencies are shown below. The changes in exchange rates are based on the year's actual foreign exchange rate movements:

	Exchange rate adjustment	**Pre-tax profit**	**Equity**	**Pre-tax profit**	**Equity**
Million USD		**2015**	**2015**	**2014**	**2014**
DKK Danish kroner	+/- 10%	-0,4	-0,3	-0,2	-0,1

Notes

Note 19. Cash flow hedges

At 31 December 2015, the Group held forward exchange contracts in order to hedge future costs in Danish Kroner covering a period of 1-12 months for which the Group has firm commitments. The forward contracts are being used to hedge the foreign currency risk of firm commitments.

The terms of the outstanding forward contracts at 31 December 2015 were as follows:

2014	**Latest maturity date**	**Average exchange rate (USD/ DKK)**	**Market value USD'000**	**Unrealised gain/loss USD'000**
Forward exchange contracts to hedge expected future purchases				
Purchase				
DKK 80.4 million	30-12-2015	562,40	(1.151)	(1.151)

2015	**Latest maturity date**	**Average exchange rate *(USD/ DKK)***	**Market value *USD'000***	**Unrealised gain/loss *USD'000***
Forward exchange contracts to hedge expected future purchases				
Purchase				
DKK 22.3 million	31-05-2016	556,82	(739)	(739)

In the year ended 31 December 2015 the company realised loss from the expiry of forward contracts held during the year totalled USD 1.7 million (USD 0.0 million realised gain in 2014).

The Company's unrealised loss from the forward rate contracts entered into for hedging purposes is taken directly to equity.

The terms of the outstanding swap contracts at 31 December 2015:

2014	***Latest maturity date***	***Average interest rate (USD/ DKK)***	***Market value USD'000***	***Unrealised gain/loss USD'000***
Swap contracts to hedge variable interest rates and currency on principal and installments on loans in DKK				
Hedged principal				
DKK 8.1 millions	29-12-2017	4,92%	-118	-12
DKK 40.0 millions	29-12-2017	6,13%	-588	-133
Total			-706	-15

2015

Swap contracts to hedge variable interest rates and currency on principal and installments on loans in DKK

Outstanding swap contracts were closed in December when the loans in DKK were repaid to Nordea Bank Danmark A/S.

In the year, the company recognized a loss from the fair value hedge part of the loan swap contracts of USD 0.3 million (USD 1.0 million realised profit in 2014).

Notes

Note 19. Cash flow hedges (continued)

Fair value hierarchy

The company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2015, the company held solely derivative financial instruments that were measured at fair value using Level 2 valution techniques. The company enters into derivative financial instruments with various counterparties composed of financial institutions. The derivative financial instruments are measured using valuation techniques with market observable inputs. The most frequently applied techniques for valuation of forward contracts and interest swap contracts are present value calculations based on foreign exchange spot rates and interest rate curves among others. Fair values are based on fair value reports from financial institutions.

Note 20. Financial assets and liabilities

	2015	2014
Loans and receivables measured at amortized cost	**USD´000**	**USD´000**
Trade accounts receivables	2.751	4.036
Receivable from group enterprises	3.672	2.655
Other receivables	72	63
Cash	2.068	340
Total loans and receivables measured at amortized cost	8.563	7.361
Derivative financial instruments		
Foreign exchange forward contracts	0	0
Loan swaps	0	0
Total Derivative financial instruments	0	0
Current other financial assets	0	0

There are no significant differences between the carrying amounts and the fair values of the asset.

	2015	2014
Mortgage debt and other bank debt	0	8.282
Bank debt	3.780	387
Trade payables	935	1.332
Payables to group enterprises	11.306	5.370
Total financial liabilities measured at amortized cost	16.021	15.371
Derivative financial instruments		
Foreign exchange forward contracts	739	1.110
Loan swaps	0	851
Total Derivative financial instruments	739	1.961
Current other financial liabilities	739	1.961

Carrying amount and fair value of the company´s financial instruments that are carried in the financial statements are not shown separately as book book values in all material respect are the same.

Notes

Note 21. *Share capital and reserves*
Share capital USD 3.400.554 is distributed in 2.580.000 shares of denominations of USD 1,32. All shares are fully paid.

The share capital has remained USD 3.400.554 in the last 5 years.

Note 22. Financial risk - management objectives and policies
The Company's principal financial instruments, other than derivatives, comprise bank loans, overdraft and cash. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Company also enters into derivative transactions, including principally forward currency exchange contracts. The purpose is to manage the currency risks arising from the Company's operations.

Foreign currency risk is described in note 18 and cash flow risk is described in note 19.

The Company´s financial aims are to ensure adequate funds to cover the Company´s operations and to comply with the demands from the owners and agreed-upon terms of the loans.

Credit risk
The Company trades only with recognised, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and insured through a credit insurance company. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

Credit risk arising from the other financial assets of the Group, which primarily comprise cash and trade receivables, the Group´s exposure arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Interest rate risk
The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's bank loans with variable interest rates.

At December 31 2015 the bank debt is 3.780 KUSD (2014: 387 KUSD) which is use of bank overdrafts at a interest rate of 4.3%.

Liquidity risk
The company monitors its risk to a shortage of funds using a recurring liquidity planning tool. The company´s objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, capital increases etc. The company´s policy is to maintain a balanced relation between its short-term and long-term debt.

Note 23. Related party transactions
The company is controlled by Global Scanning A/S, which own 100% of the share capital.

The company´s balances with subsidiaries and parent at 31 December are recognised and presented separately in the balance sheet and related interest income is presented in note 7.

Related parties with material interest include the Board of Directors and Executive Board of the Company and key employees and their related family members. Futhermore related parties include companies in which the aforementioned persons have a material interest.

All transactions with related parties have been performed on arms lenght basis.