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ADD Mikkelsen A/S
Kongens Nytorv 18
1050 Copenhagen K
Central Business Registration
No 20199806

Annual report 2016

The Annual General Meeting adopted the annual report on 09.07.2017

Chairman of the General Meeting

Name: Peter Henriksen

Contents

Entity details

Entity
ADD Mikkelsen A/S
Kongens Nytorv 18
1050 Copenhagen K

Central Business Registration No: 20199806
Registered in: Copenhagen
Financial year: 01.01.2016 - 31.12.2016

Board of Directors
Keld Mikkelsen, Chairman
Peter Henriksen
Marianne Brandi

Executive Board
Peter Henriksen

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Tværkajen 5
Postboks 10
5100 Odense 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 ADD Mikkelsen 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 and cash flows 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.

Copenhagen, 09.07.2017

Executive Board

Peter Henriksen

Board of Directors

Keld Mikkelsen Chairman	Peter Henriksen	Marianne Brandi

Independent auditor's report

To the shareholders of ADD Mikkelsen A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of ADD Mikkelsen 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, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group’s and the Parent’s financial position at 31.12.2016, and of the results of their operations and the consolidated cash flows 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 the 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 consolidated financial statements and the parent financial statements section of this auditor’s report. We are independent of the Group 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

Without modifying our opinion, we refer to note 1 of the consolidated financial statements in which Management has described the uncertainties relating to the Group’s continued operations, including the preconditions underlying Management’s assessments. It is Management’s opinion that the preconditions are realistic and achievable and thus that the Group is able to continue its operations. Based on this, the consolidated financial statements and parent financial statements have been presented on a going concern basis.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group’s and 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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and parent 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 consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are

Independent auditor's report

responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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 consolidated financial statements and the parent 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.

Odense, 09.07.2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Claus Kolin
statsautoriseret revisor

Management commentary

	2016 DKK'000	2015 DKK'000	2014 DKK'000	2013 DKK'000	2012 DKK'000
Financial highlights					
Key figures					
Gross profit	32,117	63,522	61,612	57,251	56,231
Operating profit/loss	(32,598)	2,344	4,896	2,697	(10,575)
Net financials	(4,241)	(1,729)	(2,023)	(2,769)	(3,053)
Profit/loss for the year	(27,121)	89	1,894	(990)	(13,409)
Total assets	103,436	118,603	101,376	83,603	81,147
Investments in property, plant and equipment	6,779	17,015	5,927	3,704	9,851
Equity incl minority interests	(3,860)	23,858	23,773	22,343	24,154
Ratios					
Return on equity (%)	(271.2)	0.4	8.2	(4.3)	(55.5)
Equity ratio (%)	(3.7)	20.1	23.5	26.7	29.8

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	**Calculation formula**	**Ratios**
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity incl minority interests}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity incl minority interests x 100}}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The primary activities of the Company are design, wholesale, retail and online sales of fashion clothes.

Development in activities and finances

Day Birger Et Mikkelsen og 2ndday – the Company's two apparel brands – mainly operate in Scandinavia through wholesale, retail and franchise retail. The wholesale market has turned out problematic throughout 2016, and the general decline in the retail segment has also hit the Company. These circumstances as well as unsatisfactory internal management tools have resulted in significant bad debts and sale of goods at large discounts, which has had a significant negative impact on the financial performance.

The Company's bag concept – Day Et –, however, has developed extremely satisfactorily and has contributed positively to the otherwise negative financial performance.

The Company's total financial performance thus shows a loss of DKK 27.1m, which Management considers extremely unsatisfactory.

Uncertainty relating to recognition and measurement

At 31.12.2016 recognised deferred tax asset amounts to DKK 7.1m. The value of the deferred tax asset depends on the future earnings of the Company and is therefore encumbered with uncertainty. Based on the prepared budgets, including the effect of the steps taken to improve the earnings of the Company, the Company has chosen only to recognise a part of the maximum deferred tax asset amounting to DKK 13m.

Outlook

The Company's Management has taken several steps to improve and monitor the Company's earnings and liquidity. The full effect of the implemented initiatives will, however, not appear until in the financial year 2018. Thus, a considerable negative result is expected for 2017.

The Company's shareholders will also introduce additional liquidity to the Company.

Particular risks

Currency risks

DAY is exposed to USD, EUR, GBP as well as NOK and SEK. DAY's policy is partly to hedge the commercial currency risk by using forward exchange contracts.

Interest risks

DAY is funded through equity and external funding. Interest risks on interest bearing debt are not hedged. The current low interest rate secures a low exposure to interest risks.

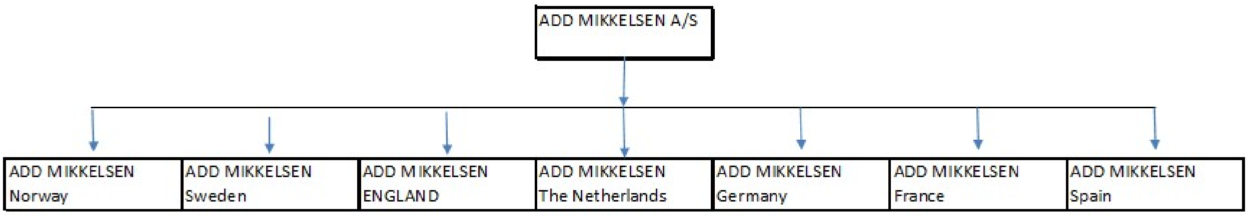
Environmental performance

It is company policy to take environmentally considerate operations as its starting point. Environmental concerns are a natural part of DAY's objectives on quality of both products and conditions of manufacturing.

Management commentary

Group relations

Company structure at the balance sheet date.



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.

Consolidated income statement for 2016

	Notes	2016 DKK'000	2015 DKK'000
Gross profit		**32,117**	**63,522**
Staff costs	3	(54,144)	(52,743)
Depreciation, amortisation and impairment losses	4	(10,571)	(8,435)
Operating profit/loss		**(32,598)**	**2,344**
Other financial income		5,188	1,558
Other financial expenses		(9,429)	(3,287)
Profit/loss before tax		**(36,839)**	**615**
Tax on profit/loss for the year	5	9,718	(526)
Profit/loss for the year	6	**(27,121)**	**89**

Consolidated balance sheet at 31.12.2016

	Notes	2016 DKK'000	2015 DKK'000
Acquired rights		1,393	1,228
Goodwill		0	167
Intangible assets	7	**1,393**	**1,395**
Other fixtures and fittings, tools and equipment		3,838	3,764
Leasehold improvements		11,037	14,519
Property, plant and equipment	8	**14,875**	**18,283**
Fixed assets		**16,268**	**19,678**
Manufactured goods and goods for resale		26,882	27,368
Inventories		**26,882**	**27,368**
Trade receivables		43,754	52,175
Deferred tax	9	7,113	7,265
Other receivables		4,639	4,083
Prepayments	10	1,293	3,634
Receivables		**56,799**	**67,157**
Cash		**3,487**	**4,400**
Current assets		**87,168**	**98,925**
Assets		**103,436**	**118,603**

Consolidated balance sheet at 31.12.2016

	Notes	2016 DKK'000	2015 DKK'000
Contributed capital		536	536
Retained earnings		(4,396)	23,322
Equity		**(3,860)**	**23,858**
Deferred tax	9	0	7,894
Other provisions	11	7,974	0
Provisions		**7,974**	**7,894**
Bank loans		729	2,485
Finance lease liabilities		631	2,064
Non-current liabilities other than provisions	12	**1,360**	**4,549**
Current portion of long-term liabilities other than provisions	12	2,574	2,529
Bank loans		53,057	34,765
Trade payables		29,700	31,204
Payables to group enterprises		1,699	0
Income tax payable		0	1,659
Other payables		10,932	12,145
Current liabilities other than provisions		**97,962**	**82,302**
Liabilities other than provisions		**99,322**	**86,851**
Equity and liabilities		**103,436**	**118,603**

Going concern	1
Uncertainty relating to recognition and measurement	2
Mortgages and securities	14
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Consolidated statement of changes in equity for 2016

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	536	23,321	23,857
Exchange rate adjustments	0	(596)	(596)
Profit/loss for the year	0	(27,121)	(27,121)
Equity end of year	**536**	**(4,396)**	**(3,860)**

The share capital consists of shares of a nominal value of DKK 1,000 or multiples thereof. No share certificates have been issued. The shares have been divided into A and C shares.

Consolidated cash flow statement for 2016

	Notes	2016 DKK'000	2015 DKK'000
Operating profit/loss		(32,598)	2,340
Amortisation, depreciation and impairment losses		10,571	8,435
Working capital changes	13	10,299	(6,795)
Other adjustments		5,727	0
Cash flow from ordinary operating activities		**(6,001)**	**3,980**
Financial income received		5,188	7,670
Financial income paid		(9,429)	(9,398)
Other cash flows from operating activities		317	0
Cash flows from operating activities		**(9,925)**	**2,252**
Acquisition etc of intangible assets		(1,604)	(1,262)
Acquisition etc of property, plant and equipment		(4,532)	(16,615)
Sale of property, plant and equipment		0	78
Cash flows from investing activities		**(6,136)**	**(17,799)**
Loans raised		0	8,182
Instalments on loans etc		0	(1,105)
Reduction of lease commitments		(3,144)	0
Cash flows from financing activities		**(3,144)**	**7,077**
Increase/decrease in cash and cash equivalents		**(19,205)**	**(8,470)**
Cash and cash equivalents beginning of year		(30,365)	(21,895)
Cash and cash equivalents end of year		**(49,570)**	**(30,365)**
Cash and cash equivalents at year-end are composed of:			
Cash		3,487	4,400
Short-term debt to banks		(53,057)	(34,765)
Cash and cash equivalents end of year		**(49,570)**	**(30,365)**

Notes to consolidated financial statements

1. Going concern

The Management of the Company has taken several steps to improve and monitor the Company's earnings and liquidity. The full effect of the implemented initiatives will, however, not appear until in the financial year 2018. Thus, a considerable negative result is expected for 2017.

The budgets prepared for 2017 and 2018 show that the present credit limits together with introduction of further liquidity from the shareholders of the Company will be sufficient.

The bankers of the Company have declared that the present credit facilities will be maintained if the Group realizes the financial plans presented for which reason it is Management's view that the parent financial statements and consolidated financial statements may be presented on a going concern basis.

2. Uncertainty relating to recognition and measurement

At 31.12.2016 recognised deferred tax asset amounts to DKK 7.1m. The value of the deferred tax asset depends on the future earnings of the Company and is therefore encumbered with uncertainty. Based on the prepared budgets, including the effect of the steps taken to improve the earnings of the Company, the Company has chosen only to recognise a part of the maximum deferred tax asset amounting to DKK 13m.

	2016 DKK'000	**2015 DKK'000**
3. Staff costs		
Wages and salaries	49,845	45,730
Pension costs	1,289	1,205
Other social security costs	3,010	5,808
	54,144	**52,743**
Average number of employees	**102**	**102**

	Remuneration of management 2016 DKK'000
Total amount for management categories	3,135
	3,135

Notes to consolidated financial statements

	2016 DKK'000	2015 DKK'000
4. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	502	385
Depreciation of property, plant and equipment	8,875	8,115
Impairment losses on property, plant and equipment	47	0
Profit/loss from sale of intangible assets and property, plant and equipment	1,147	(65)
	10,571	**8,435**

	2016 DKK'000	2015 DKK'000
5. Tax on profit/loss for the year		
Tax on current year taxable income	161	1,360
Change in deferred tax for the year	0	(1,295)
Adjustment concerning previous years	(9,954)	0
Effect of changed tax rates	75	461
	(9,718)	**526**

	2016 DKK'000	2015 DKK'000
6. Proposed distribution of profit/loss		
Retained earnings	(27,121)	86
	(27,121)	**86**

	Acquired rights DKK'000	Goodwill DKK'000
7. Intangible assets		
Cost beginning of year	1,261	1,669
Additions	377	0
Cost end of year	**1,638**	**1,669**
Amortisation and impairment losses beginning of year	(33)	(1,502)
Amortisation for the year	(212)	(167)
Amortisation and impairment losses end of year	**(245)**	**(1,669)**
Carrying amount end of year	**1,393**	**0**

Notes to consolidated financial statements

	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve-ments DKK'000
8. Property, plant and equipment		
Cost beginning of year	9,790	35,734
Transfers	258	0
Additions	2,073	4,706
Disposals	(1,091)	(6,930)
Cost end of year	**11,030**	**33,510**
Depreciation and impairment losses beginning of the year	(6,026)	(21,215)
Transfers	(258)	0
Depreciation for the year	(1,959)	(7,033)
Reversal regarding disposals	1,051	5,775
Depreciation and impairment losses end of the year	**(7,192)**	**(22,473)**
Carrying amount end of year	**3,838**	**11,037**
Recognised assets not owned by entity	**-**	**1,472**

	2016 DKK'000	2015 DKK'000
9. Deferred tax		
Intangible assets	54	7
Property, plant and equipment	3,031	4,509
Receivables	3,489	2,118
Other taxable temporary differences	539	631
	7,113	**7,265**
Changes during the year		
Beginning of year	7,265	
Recognised in the income statement	(152)	
End of year	**7,113**	

10. Prepayments

Prepayments include rent and insurances etc.

Notes to consolidated financial statements

11. Other provisions

	2016 DKK'000
Other provisions beginning of year	0
Other provisions for the year	(7,974)
Other provisions end the year	**(7,974)**

Other provisions comprise anticipated costs of restoration of rented premises and other provisions. Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

	Instalments within 12 months 2016 DKK'000	Instalments within 12 months 2015 DKK'000	Instalments beyond 12 months 2016 DKK'000
12. Liabilities other than provisions			
Bank loans	1,754	1,725	729
Finance lease liabilities	820	804	631
	2,574	**2,529**	**1,360**

	2016 DKK'000	2015 DKK'000
13. Change in working capital		
Increase/decrease in inventories	484	(1,332)
Increase/decrease in receivables	10,205	(7,461)
Increase/decrease in trade payables etc	(986)	1,998
Other changes	596	0
	10,299	**(6,795)**

14. Mortgages and securities

The parent company and the Group has rental and lease agreements for the rent of buildings and the lease of equipment from 6 months and up to 31 August 2021. The annual costs are DKK 13m.

A general floating charge of DKK 60,000k on intangible rights, fittings, tools and equipment, leasehold improvements, trade receivables and inventories has been provided as security for credit facilities with the banks.

Financial institutions have provided payment guarantees for a total of DKK 3.898k on behalf of the Company.

Notes to consolidated financial statements

15. Transactions with related parties

Keld Mikkelsen have controlling interest in ADD Mikkelsen A/S through his ownership of the shares in ADD Mikkelsen Holding ApS and ADD Mikkelsen II ApS.

Key Personal

Peter Henriksen is a related party being member of the Executive Board.

Transactions with related parties		**2016**
		DKK'000
Transaction:	**Related parties**	
Services	Related parties	(11,639)
Receivables	Related parties	(3,334)

	Registered in	**Corporate form**	**Equity interest %**
16. Subsidiaries			
ADD Mikkelsen AS	Norway	AS	100.0
ADD Mikkelsen AB	Sweden	AB	100.0
ADD Mikkelsen Ltd.	UK	Ltd.	100.0
ADD Mikkelsen B.V.	The Netherlands	B.V.	100.0
ADD Mikkelsen G.m.b.H.	Germany	G.m.b.H.	100.0
ADD Mikkelsen France Sarl	France	Sarl	100.0
ADD Mikkelsen S.L.U.	Spain	S.L.U.	100.0

Parent income statement for 2016

	Notes	2016 DKK'000	2015 DKK'000
Gross profit		**32,866**	**52,137**
Staff costs	1	(48,294)	(46,959)
Depreciation, amortisation and impairment losses	2	(10,281)	(8,132)
Operating profit/loss		**(25,709)**	**(2,954)**
Income from investments in group enterprises		(7,356)	3,819
Other financial income		5,165	1,366
Other financial expenses		(9,100)	(2,979)
Profit/loss before tax		**(37,000)**	**(748)**
Tax on profit/loss for the year	3	9,879	834
Profit/loss for the year	4	**(27,121)**	**86**

Parent balance sheet at 31.12.2016

	Notes	2016 DKK'000	2015 DKK'000
Acquired rights		1,393	1,228
Intangible assets	5	**1,393**	**1,228**
Other fixtures and fittings, tools and equipment		3,488	3,764
Leasehold improvements		11,009	14,887
Property, plant and equipment	6	**14,497**	**18,651**
Investments in group enterprises		7,449	9,768
Fixed asset investments	7	**7,449**	**9,768**
Fixed assets		**23,339**	**29,647**
Manufactured goods and goods for resale		25,676	25,692
Inventories		**25,676**	**25,692**
Trade receivables		28,540	39,101
Receivables from group enterprises		7,552	19,379
Deferred tax	8	6,760	6,760
Other receivables		4,115	4,082
Prepayments	9	1,170	2,913
Receivables		**48,137**	**72,235**
Cash		**1,145**	**2,065**
Current assets		**74,958**	**99,992**
Assets		**98,297**	**129,639**

Parent balance sheet at 31.12.2016

	Notes	2016 DKK'000	2015 DKK'000
Contributed capital		536	536
Retained earnings		(4,396)	23,321
Equity		**(3,860)**	**23,857**
Deferred tax	8	0	7,894
Other provisions	10	1,780	0
Provisions		**1,780**	**7,894**
Bank loans		729	2,485
Finance lease liabilities		631	2,064
Non-current liabilities other than provisions	11	**1,360**	**4,549**
Current portion of long-term liabilities other than provisions	11	2,574	2,528
Bank loans		53,057	34,768
Trade payables		24,081	29,910
Payables to group enterprises		9,118	18,893
Other payables		10,187	7,240
Current liabilities other than provisions		**99,017**	**93,339**
Liabilities other than provisions		**100,377**	**97,888**
Equity and liabilities		**98,297**	**129,639**
Mortgages and securities	12		
Related parties with controlling interest	13		
Transactions with related parties	14		

Parent statement of changes in equity for 2016

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	536	23,321	23,857
Exchange rate adjustments	0	(596)	(596)
Profit/loss for the year	0	(27,121)	(27,121)
Equity end of year	**536**	**(4,396)**	**(3,860)**

The share capital consists of shares of a nominal value of DKK 1,000 or multiples thereof. No share certificates have been issued. The shares have been divided into A and C shares.

Notes to parent financial statements

	2016 DKK'000	2015 DKK'000
1. Staff costs		
Wages and salaries	44,131	41,408
Pension costs	1,153	1,153
Other social security costs	3,010	4,398
	48,294	**46,959**
Average number of employees	**83**	**83**

	Remuneration of management 2016 DKK'000
Total amount for management categories	3,135
	3,135

	2016 DKK'000	2015 DKK'000
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	212	33
Depreciation of property, plant and equipment	8,875	8,099
Impairment losses on property, plant and equipment	47	0
Profit/loss from sale of intangible assets and property, plant and equipment	1,147	0
	10,281	**8,132**

	2016 DKK'000	2015 DKK'000
3. Tax on profit/loss for the year		
Tax on current year taxable income	0	(1,295)
Adjustment concerning previous years	(9,954)	461
Effect of changed tax rates	75	0
	(9,879)	**(834)**

	2016 DKK'000	2015 DKK'000
4. Proposed distribution of profit/loss		
Retained earnings	(27,121)	86
	(27,121)	**86**

Notes to parent financial statements

	Acquired rights DKK'000
5. Intangible assets	
Cost beginning of year	1,261
Additions	377
Cost end of year	**1,638**
Amortisation and impairment losses beginning of year	(33)
Amortisation for the year	(212)
Amortisation and impairment losses end of year	**(245)**
Carrying amount end of year	**1,393**

	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve-ments DKK'000
6. Property, plant and equipment		
Cost beginning of year	10,048	36,372
Transfers	454	0
Additions	1,606	4,311
Disposals	(1,091)	(6,930)
Cost end of year	**11,017**	**33,753**
Depreciation and impairment losses beginning of the year	(6,284)	(21,486)
Transfers	(454)	0
Depreciation for the year	(1,842)	(7,033)
Reversal regarding disposals	1,051	5,775
Depreciation and impairment losses end of the year	**(7,529)**	**(22,744)**
Carrying amount end of year	**3,488**	**11,009**
Recognised assets not owned by entity	**-**	**1,472**

Notes to parent financial statements

	Investments in group enterprises DKK'000
7. Fixed asset investments	
Cost beginning of year	34,583
Cost end of year	**34,583**
Impairment losses beginning of year	(24,815)
Exchange rate adjustments	(596)
Share of profit/loss for the year	(7,355)
Investments with negative equity depreciated over receivables	5,632
Impairment losses end of year	**(27,134)**
Carrying amount end of year	**7,449**

	2016 DKK'000	2015 DKK'000
8. Deferred tax		
Intangible assets	54	7
Property, plant and equipment	3,031	4,509
Receivables	3,136	1,613
Tax losses carried forward	539	631
	6,760	**6,760**
Changes during the year		
Beginning of year	6,760	
End of year	**6,760**	

9. Prepayments

Prepayments include rent and insurances etc.

10. Other provisions

	2016 DKK'000
Other provisions beginning of year	0
Other provisions for the year	(1,780)
Other provisions end of year	**(1,780)**

Notes to parent financial statements

Other provisions comprise anticipated costs of restoration of rented premises.
Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

	Instalments within 12 months 2016 DKK'000	Instalments within 12 months 2015 DKK'000	Instalments beyond 12 months 2016 DKK'000
11. Liabilities other than provisions			
Bank loans	1,754	1,724	729
Finance lease liabilities	820	804	631
	2,574	**2,528**	**1,360**

12. Mortgages and securities

The parent company and the Group has rental and lease agreements for the rent of buildings and the lease of equipment from 6 months and up to 31 August 2021. The annual costs are DKK 10.456k.

A general floating charge of DKK 60,000k on intangible rights, fittings, tools and equitment, leasehold improvements, trade receivables and inventories has been provided as security for credit facilities with the banks.

Financial institutions have provided payment guarantees for a total of DKK 3.898k on behalf of the Company.

13. Related parties with controlling interest

Keld Mikkelsen has controlling interest in ADD Mikkelsen A/S through his ownership of the shares in ADD Mikkelsen Holding ApS and ADD Mikkelsen Holding II ApS.

Key Personal

Peter Henriksen is a related party being a member of the Executive Board.

14. Transactions with related parties

		2016 DKK'000
Type of transaction	**Related parties**	
Services	Related parties	(11,639)
Receivables	Related parties	(3,334)

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these consolidated financial statements and parent 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.

Consolidated financial statements
The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group’s accounting policies.

Subsidiaries’ financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries’ net assets at the acquisition date, with net assets having been calculated at fair value.

Accounting policies

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, cost of raw materials and consumables and external expenses.

Revenue

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

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

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 writedowns of receivables recognised in current assets.

Staff costs

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

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses 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.

Income from investments in group enterprises

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

Other financial income from group enterprises

Other financial income from group enterprises comprises interest income etc on receivables from group enterprises.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Accounting policies

Financial expenses from group enterprises
Financial expenses from group enterprises comprise interest expenses etc from payables to group enterprises.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities 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.

Balance sheet
Goodwill
Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area.. Useful lives are reassessed on an annual basis. The amortisation periods used are 5 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc
Acquired rights comprise "earnest money" and are measured at cost less accumulated depreciation. Acquired rights are depreciated straight-line over its estimated useful life which is 7 years

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

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.

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.

Interest expenses on loans for the financing of the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other finance costs are recognised in the income statement.

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

Accounting policies

Leasehold improvements	2-8 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

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 plus or minus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Investments in group enterprises 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.

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.

Other receivables
Other receivables are measured at amortisted cost usually equalling nominel value.

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 carry forwards, 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.

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

Cash
Cash comprises cash in hand and bank deposits.

Accounting policies

Other provisions
Other provisions comprise anticipated costs of restoration of rented premises.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Finance lease liabilities
Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

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.

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

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.