

# SystemTeknik A/S

Assensvej 2, 9220 Aalborg Øst

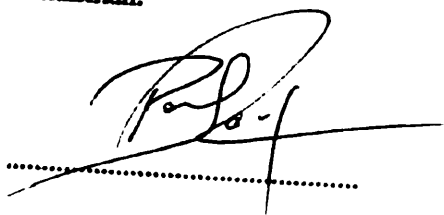
CVR no. 25 29 90 94

## Annual report 2016

17th financial year

Approved at the Company's annual general meeting on 31. may 2017

Chairman:



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## STATEMENT BY MANAGEMENT ON THE ANNUAL REPORT

Today, The Board of Directors and the Executive Board have discussed and approved the annual report of SystemTeknik A/S for the financial year 1 January – 31 December 2016.

The annual report has been prepared in accordance with the Danish Financial Statements Act.


In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2016.

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

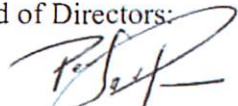
We recommend that the annual report be approved at the annual general meeting.

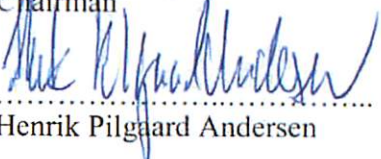
Aalborg, 25th of April 2017

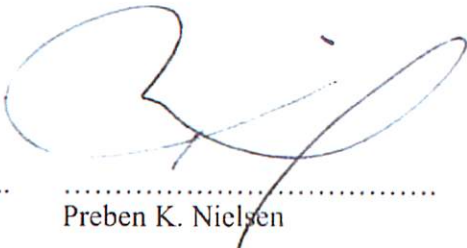
Executive Board:


  
.....  
Poul H. Sørensen

Board of Directors:


  
.....  
Per Søndergaard Pedersen  
Chairman

  
.....  
Henrik Pilgaard Andersen

  
.....  
Preben K. Nielsen

  
.....  
Carl Ove Pedersen  
Elected by the employees

  
.....  
Poul H. Sørensen

  
.....  
Casper Greve Madsen  
Elected by the employees

## **INDEPENDENT AUDITOR'S REPORT**

**To the shareholders of SystemTeknik A/S**

### **Opinion**

We have audited the financial statements of SystemTeknik A/S for the financial year 1 January – 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity, statement of cash flows and notes, including 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 financial position of the Company at 31 December 2016 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 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 our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company 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 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 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 the financial statements.

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

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

## INDEPENDENT AUDITOR'S REPORT

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's review**

Management is responsible for the Management's review.

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

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Aalborg, 31th of May 2017

Ernst & Young

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Hans B. Vistisen

State Authorised

Public Accountant

## **MANAGEMENT'S REVIEW**

### **Company details**

SystemTeknik A/S  
Assensvej 2  
DK-9220 Aalborg Øst

CVR no.: 25 29 90 94  
Established: 1 April 2000  
Registered office: Aalborg  
Financial year: 1 January – 31 December

Website: [www.systemteknik.dk](http://www.systemteknik.dk)  
E-mail: [info@systemteknik.dk](mailto:info@systemteknik.dk)  
Telephone: +45 96 31 73 33

### ***Board of Directors:***

Per Søndergaard Pedersen, Chairman  
Preben K. Nielsen  
Poul H. Sørensen  
Henrik Pilgaard Andersen  
Casper Greve Madsen, elected by the employees  
Carl Ove Pedersen, elected by the employees

### ***Executive Board:***

Poul H. Sørensen

### ***Auditors:***

Ernst & Young  
Godkendt Revisionspartnerselskab  
Vestre Havnepromenade 1A  
DK-9000 Aalborg

### ***Bankers:***

Nordea Bank Danmark, Aalborg branch

## MANAGEMENT'S REVIEW

### Financial highlights

	2016	2015	2014	2013	2012
<b>Key figures (in DKK thousands)</b>					
Operating profit or loss	-6,990	-6,477	8,566	-11,544	-208
Net financials	-1,118	-270	-68	-614	-545
Profit or loss for the year	-5,879	-4,721	7,139	-10,031	-679
Net cash flows from operating, investing and financing activities	-2,004	-3,822	8,004	-2,044	-3,290
Equity at year-end	-3,486	1,879	6,664	-5,679	4,458
Total assets	27,524	25,907	25,917	25,598	28,529
Investments in the year	145	107	225	6	86
Number of employees	33	38	36	44	46
<b>Financial ratios</b>					
Return on assets	-	-	33.1%	-	-
Return on equity	-	-	18.8%	-	-
Equity ratio	-	7.3%	25.7%	-	15.6 %
Equity ratio including subordinate loan capital	11.6%	22.5%	40.6%	7.7%	33.2 %

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015", except for the equity ratio including subordinate loan capital. For terms and definitions, please see the accounting policies.



## MANAGEMENT'S REVIEW

### Financial highlights

The financial ratios stated under "Financial highlights" have been calculated as follows:

Return on assets  $\frac{\text{Operating profit or loss} \times 100}{\text{Total assets at year end}}$

Return on equity  $\frac{\text{Profit for the year before tax} \times 100}{\text{Average equity}}$

Equity ratio  $\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$

Equity ratio including subordinate loan capital  $\frac{\text{Equity at year end including subordinate loan} \times 100}{\text{Total equity and liabilities at year end}}$

## **MANAGEMENT'S REVIEW**

### **Management commentary**

#### **Principal activities of the Company**

SystemTeknik A/S' principal activities are construction, production and sales of control panels, power distribution panels and sales of related software and services.

The Company's customers are international and local Danish businesses in the maritime, industrial, building & construction sectors as well as utilities and companies operating in the energy sector (wind, oil and gas).

SystemTeknik has been present in the market for more than 60 years and is widely recognized as a competent and reliable supplier of quality products and services. Production takes place in two plants in Denmark and Poland, respectively. Sales are coordinated by the headquarters in Denmark.

The Company underwent significant changes. In this connection, a revised strategy plan has been drawn up, focusing on growth through improved competitiveness and intensified customer focus.

#### **Development in activities and financial matters**

The Company's income statement for the year ended 31 December 2016 shows a loss of DKK 5.9 million after tax.

Two essential elements caused this development:

- Reorganization of production from Denmark to Poland, including new facilities in Poland.
- Recurring costs for the settlement of subsidiaries and projects, not least the settlement of China activities.

Management considers the profit for the year unsatisfactory.

#### **Development in financial matters**

The Company's balance sheet at 31 December 2016 shows negative equity of DKK 3.5 million. The Company's share capital amounts to DKK 1.9 million.

Management believes that the Company's share capital can be re-established through positive own earnings in the coming years, based on budget 2017 and forecast for 2018-2020.

In 2016, the Company has a new ownership structure with JN-PKN ApS, and in this connection, the Company received fresh equity capital totaling DKK 0.6 million. In addition, both new and existing shareholders contributed new subordinate loans, totaling DKK 2.4 million. In addition to the subordinated loan capital, the owners have also provided a loan of DKK 4.0 million.

Including subordinate loan capital, the Company's total capital amounts to DKK 3.2 million at 31 December 2016.

The Company has entered into an agreement with its bank to extend the current credit facilities. In addition, the owner has made additional loans of DKK 4 million available in 2017.

The Company has a deferred tax asset of DKK 3.3 million at 31 December 2016, primarily related to tax losses. Management expects the deferred tax asset to be utilized in a foreseeable number of years based on expected earnings.

#### **Risks**

The Company's main operating risk is the highly competitive market. The Company is not exposed to any significant currency risks.

The Company's debt comprises floating rate loans with interest rates adjusted on a quarterly basis. The Company does not engage in speculative interest rate or foreign exchange transactions.

The Company is not exposed to any significant environmental risks.

#### **Post balance sheet events**

In Management's opinion, no events have occurred after the financial year-end, which could significantly affect the Company's financial position.

#### **Outlook**

It is expected, that the Company through increased competitiveness and focus and by means of the establishment of a larger and more effective production set-up in Poland will increase revenue in 2017 significantly.

Expected positive operating result for the year, which is supported by the results of this year's first quarter and the order book for the entire financial year.

**INCOME STATEMENT**  
**1 JANUARY – 31 DECEMBER**

	Note	2016 DKK'000	2015 DKK'000
Gross margin		21,134	19,627
Staff costs	3	<u>-28,038</u>	<u>-25,950</u>
		-6,904	-6,323
Amortisation, depreciation and impairment losses	6	<u>-86</u>	<u>-154</u>
<b>Operating profit or loss</b>		-6,990	-6,477
Share of profit in group entities	7	677	621
Financial income	4	218	348
Financial expenses	5	<u>-1,336</u>	<u>-618</u>
<b>Pre-tax profit or loss</b>		-7,431	-6,126
Tax for the year		<u>1,552</u>	<u>1,405</u>
<b>Profit or loss for the year</b>		<u><u>-5,879</u></u>	<u><u>-4,721</u></u>
Recommended appropriation of loss:			
Net revaluation under the equity method		320	109
Retained earnings/accumulated loss		<u>-6,199</u>	<u>-4,830</u>
		<u><u>-5,879</u></u>	<u><u>-4,721</u></u>

**BALANCE SHEET  
at 31 DECEMBER**

	Note	31/12 2016 DKK'000	31/12 2015 DKK'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
<b>Plant and equipment</b>	6		
Plant and machinery		244	171
Fixtures and fittings, tools and equipment		<u>52</u>	<u>66</u>
<b>Total plant and equipment</b>		<u>296</u>	<u>237</u>
<b>Financial assets</b>			
Investments in group entities	7	1,020	700
Receivables from group entities		<u>3,962</u>	<u>3,923</u>
<b>Total financial assets</b>		<u>4,982</u>	<u>4,623</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u>5,278</u>	<u>4,860</u>
<b>CURRENT ASSETS</b>			
<b>Inventories</b>			
Raw materials and consumables		<u>1,606</u>	<u>1,520</u>
<b>Total inventories</b>		<u>1,606</u>	<u>1,520</u>
<b>Receivables</b>			
Trade receivables		11,954	11,729
Construction contracts	8	4,461	1,456
Receivables from group entities		0	366
Other receivables		773	4,210
Deferred tax asset	9	3,291	1,619
Prepayments		<u>158</u>	<u>143</u>
<b>Total receivables</b>		<u>20,637</u>	<u>19,523</u>
<b>Cash</b>		<u>3</u>	<u>4</u>
<b>TOTAL CURRENT ASSETS</b>		<u>22,246</u>	<u>21,047</u>
<b>TOTAL ASSETS</b>		<u>27,524</u>	<u>25,907</u>

**BALANCE SHEET  
at 31 DECEMBER**

	Note	31/12 2016 DKK'000	31/12 2015 DKK'000
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	10	1,880	5,500
Net revaluation under the equity method		429	109
Retained earnings		<u>-5,795</u>	<u>-3,730</u>
<b>TOTAL EQUITY</b>		<u>-3,486</u>	<u>1,879</u>
<b>PROVISIONS</b>			
Additional provisions		<u>150</u>	<u>63</u>
<b>Total provisions</b>		<u>150</u>	<u>63</u>
<b>LIABILITIES OTHER THAN PROVISIONS</b>			
<b>Non-current liabilities other than provisions</b>			
Subordinated loan	11	<u>6,680</u>	<u>3,955</u>
<b>Total non-current liabilities other than provisions</b>		<u>6,680</u>	<u>3,955</u>
<b>Current liabilities other than provisions</b>			
Debt to credit institutions		6,840	4,837
Prepayments received from customers		782	272
Trade payables		5,042	4,298
Payables to group entities		1,391	326
Income tax payable		0	1,691
Payables to shareholders		4,000	0
Other payables		<u>6,125</u>	<u>8,586</u>
<b>Total current liabilities other than provisions</b>		<u>24,180</u>	<u>20,010</u>
<b>TOTAL LIABILITIES OTHER THAN PROVISIONS</b>		<u>30,861</u>	<u>23,965</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>27,524</u>	<u>25,907</u>
<b>Contractual obligations and contingencies, etc.</b>	12		

**STATEMENT OF CHANGES IN EQUITY**

	<b>31/12 2016</b> <b>DKK'000</b>	<b>31/12 2015</b> <b>DKK'000</b>
<b>Share capital</b>		
Balance at 1/1	5,500	5,500
Capital reduction	-4,184	0
Cash capital increase	<u>564</u>	<u>0</u>
Total share capital	<u>1,880</u>	<u>5,500</u>
<b>Retained earnings/accumulated loss</b>		
Balance at 1/1	-3,730	1,164
Currency adjustment of investments	-50	-64
Transferred from shared capital	4.184	0
Transfer; see appropriation of loss	<u>-6.199</u>	<u>-4.830</u>
Total retained earnings/accumulated loss	<u>-5.795</u>	<u>-3.730</u>
<b>Net revaluation under the equity method</b>		
Balance at 1/1	109	0
Transfer; see appropriation of loss	<u>320</u>	<u>109</u>
Total net revaluation under the equity method	<u>429</u>	<u>109</u>
<b>Total equity</b>	<u><u>-3.486</u></u>	<u><u>1.879</u></u>

**CASH FLOW STATEMENT**

	Note	2016 DKK'000	2015 DKK'000
<b>Cash flows from operating activities</b>			
Profit or loss for the year		-5,879	-4,721
Adjustments	13	-1,025	-778
Changes in working capital	14	<u>416</u>	<u>1,800</u>
<b>Cash flows from operating activities before net financials</b>		-6,488	-3,720
Interest received		218	348
Interest paid		-1,336	-618
Income taxes paid		<u>-1,811</u>	<u>0</u>
<b>Total cash flows from operating activities</b>		<u><b>-9,417</b></u>	<u><b>-3,990</b></u>
<b>Cash flows from investing activities</b>			
Dividend on shares		308	0
Additions of plant and equipment		-145	-107
Disposals of plant and equipment		<u>0</u>	<u>202</u>
<b>Total cash flows from investing activities</b>		<u><b>163</b></u>	<u><b>116</b></u>
<b>Cash flows from financing activities</b>			
Loans granted		-39	-46
Capital contribution		564	0
Contracting of other loan capital		4,000	0
Contracting of subordinate loan capital		<u>2,725</u>	<u>98</u>
<b>Total cash flows from financing activities</b>		<u><b>7,250</b></u>	<u><b>52</b></u>
<b>NET CASH FLOWS FROM OPERATING, INVESTING AND FINANCING ACTIVITIES</b>		<u><u><b>-2,004</b></u></u>	<u><u><b>-3,822</b></u></u>
<b>Cash and cash equivalents</b>			
Cash and cash equivalents at 1/1 2016		-4,833	-1,011
Net cash flows from operating, investing and financing activities		<u>-2,004</u>	<u>-3,822</u>
<b>Cash and cash equivalents at 31/12 2016</b>		<u><u><b>-6,837</b></u></u>	<u><u><b>-4,833</b></u></u>
specified as follows:			
Cash in hand		3	4
Debt to credit institutions		<u>-6,840</u>	<u>-4,837</u>
<b>Cash and cash equivalents</b>		<u><u><b>-6,837</b></u></u>	<u><u><b>-4,833</b></u></u>



## NOTES

### **Note 1. Accounting policies**

The annual report of SystemTeknik A/S for 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of provisions applying to reporting class C entities.

In accordance with section 110(1) of the Danish Financial Statements Act, consolidated financial statements have not been prepared.

Effective 1 January 2016, the Company has adopted act no. 738 of 1 June 2015. This implies changes in the recognition and measurement of fixed assets. The change does not have an impact on the income statement or the balance sheet for 2016 or the comparative figures.

A part from the above change as well as new and changed presentation and disclosure requirements, which follow from act no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

### **Foreign currency translation**

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognized in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognized in the latest financial statements is recognized in the income statement as financial income or financial expenses.

Non-current assets acquired in foreign currencies are measured at the exchange rate at the transactions date.

## **NOTES**

### **Income statement**

#### **Revenue**

Income from the sale of finished goods is recognized in revenue when transfer of the most significant rewards and risks to the buyer has taken place and provided that the income can be reliably measured and payment is expected to be received.

Revenue is measured at fair value of the agreed consideration exclusive of VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Income from the rendering of services is recognized as revenue with reference to the stage of completion.

Income from construction contracts for customized switchboards is recognized as revenue as the production is carried out, meaning that the revenue corresponds to the selling price of contracts completed in the year (the percentage of completion method). When the outcome of a construction contract cannot be estimated reliably, revenue is recognized at the costs incurred to the extent that they are likely to be recovered.

#### **Other external expenses**

Other external expenses comprise expenses relating to distribution, sale, advertising, administration, premises, bad debt losses, operating leases, etc.

#### **Gross margin**

The items revenue to and including other external expenses are consolidated into one item designated gross margin in accordance with section 32 of the Danish Financial Statements Act.

#### **Staff costs**

Staff costs comprise wages and salaries, including holiday allowance and pensions, and other social security costs, etc., for the Company's employees. Refunds received from public authorities are deducted from staff costs.

## NOTES

### **Profit/loss from investments in subsidiaries**

The proportionate share of the profit/loss after tax of the individual subsidiaries is recognised in the income statement of the Parent Company after full elimination of intra-group profits/losses.

### **Financial income and expenses**

Financial income and expenses comprise interest income and expense, payables and transactions denominated in foreign currencies, as well as surcharges and refunds under the on-account tax scheme, etc.

### **Tax on profit for the year**

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity. The tax expense recognised in the income statement relating to the extraordinary profit/loss for the year is allocated to this item whereas the remaining tax expense is allocated to the profit/loss for the year from ordinary activities.

The Company is taxed on a joint basis with the parent company. The Danish corporation tax charge is allocated between profit-making and loss-making entities in proportion to their taxable income (full allocation method with reimbursement for tax losses). The jointly taxed entities are taxed under the tax prepayment scheme.

### **Balance sheet**

#### **Plant and equipment**

On initial recognition, items of plant and equipment are measured at cost.

Plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation.

The basis of depreciation is based on the residual value of the asset at the end of its useful life and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

## NOTES

In case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. Production overheads and borrowing costs are not included in cost.

Where individual components of an item of plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets, which are as follows:

	Depreciation <u>period</u>
Plant and machinery	5-10 years
Fixtures and fittings, tools and equipment	3-10 years

Gains and losses on the disposal of intangible assets are calculated as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating expenses, respectively.

### **Investments in subsidiaries**

Investments in subsidiaries are measured according to the equity method.

Investments are measured at the proportionate share of the entities' net asset value calculated in accordance with the parent company's accounting policies minus or plus unrealized intra-group profits and losses.

Investments in subsidiaries with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such entities are written down in so far as the amount receivable is considered irrecoverable. If the Parent Company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

Net revaluation of investments in subsidiaries is recognised in the reserve for net revaluation according to the equity method in equity where the carrying amount exceeds cost. Dividends from subsidiaries which are expected to be declared before the annual report of SystemTeknik A/S is adopted are not taken to the net revaluation reserve.

## **NOTES**

Other receivables recognized under investments relate to long-term receivables and are measured based on an individual assessment.

### **Inventories**

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

### **Receivables**

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the net present value of the expected cash flows, including the realisable value of any collateral received.

### **Construction contracts**

Construction contracts are measured at the selling price of the work performed. The market price is measured by reference to the stage of completion at the balance sheet date and the total expected income from the relevant contract.

When the selling price of a construction contract cannot be measured reliably, the selling price is measured at the lower of costs incurred and net realisable value.

Individual construction contracts are recognised in the balance sheet under either receivables or payables. Net assets are determined as the sum of construction contracts where the selling price of the work performed exceeds progress billings. Net liabilities are determined as the sum of construction contracts where progress billings exceed the selling price.

## NOTES

Selling costs and costs incurred in securing contracts are recognised in the income statement when incurred.

### **Prepayments**

Prepayments recognised under "Current assets" comprise expenses incurred concerning subsequent financial years.

### **Equity**

#### **Reserve for net revaluation according to the equity method**

Net revaluation of investments in subsidiaries is recognised at cost in the reserve for net revaluation according to the equity method.

The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates.

The reserve cannot be recognised at a negative amount.

### **Dividend**

Dividend proposed for the year is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the year is disclosed as a separate item under equity.

### **Income tax and deferred tax**

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on prior-year taxable income and tax paid on account.

Joint taxation contribution payable and receivable is recognised in the balance sheet as "Income tax receivable" or "Income tax payable".

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

## **NOTES**

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

### **Provisions**

Provisions comprise anticipated expenses relating to onerous contracts. Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at net realisable value or fair value. If the obligation is expected to be settled far into the future, the obligation is measured at fair value.

When it is probable that the total contract expenses will exceed the total contract revenue, a provision is made for the total anticipated loss on the contract.

### **Liabilities**

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

### **Cash flow statement**

The cash flow statement shows the Company's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

## **NOTES**

### **Cash flows from operating activities**

Cash flows from operating activities are calculated as the Company's share of the profit/loss adjusted for non-cash operating items, changes in working capital and income taxes paid.

### **Cash flows from investing activities**

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities, activities and plant and equipment and financial assets.

### **Cash flows from financing activities**

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, and payment of dividend to shareholders.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are subject to only minor risks of changes in value.



## NOTES

### Note 2. Special items

Special items comprise significant income and expenses of a special nature relative to the Company's revenue-generating operating activities, e.g. expenses incurred to extensive structuring of processes and basic structural adjustments, as well as any relating disposal gains and losses, and which over time have a material impact. Special items also comprise significant one-off items, which in the opinion of Management do not form part of the Company's operating activities.

As disclosed in the Management's review, the profit for the year is affected by matters that in the opinion of the Board of Directors do not form part of the operating activities.

Special items for the year are specified below just as are the items under which they are recognised in the income statement.

	<b>2016</b>
	<b>DKK'000</b>
<b>Expenses</b>	
Settlement of China activities	1,906
<b>Special items are recognised in the below financial statement items</b>	
Gross margin	<u>1,906</u>
<b>Net loss from special items</b>	<u><u>1,906</u></u>

	<b>2016</b>	<b>2015</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>Note 3. Staff costs</b>		
Wages and salaries	26,230	23,906
Pension costs	1,395	1,492
Other social security costs	<u>413</u>	<u>552</u>
	<u><u>28,038</u></u>	<u><u>25,950</u></u>
Average number of employees	<u><u>33</u></u>	<u><u>38</u></u>

### Note 4. Financial income

Interest receivable, group entities	76	95
Other financial income	<u>142</u>	<u>253</u>
	<u><u>218</u></u>	<u><u>348</u></u>

**NOTES**

	<b>2016</b> <b>DKK'000</b>	<b>2015</b> <b>DKK'000</b>
<b>Note 5. Financial expenses</b>		
Interest payable, group entities	203	215
Other interest payable, exchange losses and similar expenses	<u>1,133</u>	<u>403</u>
	<u><u>1,336</u></u>	<u><u>618</u></u>

**Note 6. Plant and equipment**

DKK'000	Plant and ma- chinery	Fixtures and fittings, tools and equip- ment	Total
Cost at 1 January 2016	2,073	8,659	10,732
Additions	124	21	145
Disposals	0	-4,788	-4,788
Cost at 31 December 2016	<u>2,197</u>	<u>3,892</u>	<u>6,089</u>
Impairment losses and depreciation at 1 January 2016	1,902	8,593	10,495
Depreciation	51	35	86
Disposals	0	-4,788	-4,788
Impairment losses and depreciation at 31 December 2016	<u>1,953</u>	<u>3,840</u>	<u>5,793</u>
Carrying amount at 31 December 2016	<u><u>244</u></u>	<u><u>52</u></u>	<u><u>296</u></u>

**NOTES****Note 7. Investments in group entities**

Name and registered office	Ownership	Profit/loss for	
	Interest	Equity DKK'000	the year DKK'000
SystemTeknik Poland Sp. z o.o, Szczecin	100%	1,589	884

Investments in group entities is reduced by unrealized intra-group profit amounting DKK 0.6 million at 31 December 2016 and the share of profit in group entities is reduced by DKK 0.2 million in 2016.

	31/12 2016 DKK'000	31/12 2015 DKK'000
<b>Note 8. Construction contracts</b>		
Selling price of work performed	<u>4,461</u>	<u>1,456</u>
Classified as follows:		
Receivables	<u>4,461</u>	<u>1,456</u>

## NOTES

### Note 9. Deferred tax asset

The deferred tax charge relates to:

DKK'000	Carrying amounts	Tax values	Temporary differences
Plant and equipment	65	216	151
Receivables	-28	-21	7
Provisions and liabilities	-53	0	53
Tax losses	0	3,080	3,080
	<u>-16</u>	<u>3,275</u>	<u>3,291</u>

The Company has a deferred tax asset of DKK 3.3 million at 31 December 2016 primarily related to tax losses. The management expects a positive profit of 2017 and a continuing improvement of the company's earnings in the coming years. Considering this the management expects the deferred tax asset to be utilized within 4-5 years. Inherently there is an uncertainty connected with the expected earnings.

### Note 10. Share capital

Analysis of changes in the share capital over the past five years:

DKK'000	2016	2015	2014	2013	2012
Balance at 1 January	5,500	5,500	5,500	5,500	5,500
Cash capital increase	564	0	0	0	0
Capital reduction	-4,184	0	0	0	0
Balance at 31 December	<u>1,880</u>	<u>5,500</u>	<u>5,500</u>	<u>5,500</u>	<u>5,500</u>

### Note 11. Subordinated loan

The subordinated loan capital from ST Holding Aalborg A/S, JN-PKN Holding ApS, PHS Holding Aalborg ApS and PSP Holding ApS amounts to DKK 6.7 million. The subordinated loan capital falls due 1 July 2018 and interest is payed according to market conditions.

If SystemTeknik A/S does not have availability of liquidity at due end in 2018 the subordinated loans can be renegotiate and repayment extended.

## NOTES

### Note 12. Contractual obligations and contingencies

The Company's bank has issued contract and payment guarantees totaling DKK 0.7 million at 31 December 2016.

The company's terms of notice is 6 months concerning the leased premises, Assensvej 2, 9220 Aalborg. The obligation for leased premises amounts to DKK 0.6 million at 31 December 2016.

The Company has entered into operating leases with a total commitment of DKK 1.2 million. Annual lease payments total DKK 0.5 million.

The Company has granted a company charge of DKK 12.0 million as collateral for its bank facilities and secondary payables to shareholders. The company charge provides security in specific assets with a carrying amount of DKK 14,0 million.

The Company is taxed on a joint basis with the other Danish entities in the ST Holding Aalborg A/S Group. As a jointly taxed entity the Company has limited and secondary liability for Danish corporation tax and withholding tax on dividends, interest and royalties within the group of jointly taxed entities. The jointly taxed entities' total known net liability to the Danish tax authorities appears from the financial statements of the management company, ST Holding Aalborg A/S, CVR no. 30 61 52 47. Any subsequent adjustments of the income subject to joint taxation, withholding tax, etc. may cause the Company's liability to increase.

	2016 DKK'000	2015 DKK'000
<b>Note 13. Adjustments, cash flow statement</b>		
Amortisation/depreciation	86	154
Profit/loss on disposals of equipment	0	0
Financial income	-218	-348
Financial expenses	1,336	618
Income from investments in subsidiaries	-677	-621
Other adjustments	0	824
Tax for the year	<u>-1,552</u>	<u>-1,405</u>
<b>Total adjustments</b>	<u><u>-1,025</u></u>	<u><u>-778</u></u>

**NOTES**

	<b>2016</b> <b>DKK'000</b>	<b>2015</b> <b>DKK'000</b>
<b>Note 14. Changes in working capital, cash flow statement</b>		
Changes in receivables	3,563	-2,688
Changes in inventories and work in progress	-3,092	1,048
Changes in trade payables	744	1,109
Changes in other payables	<u>-799</u>	<u>2,331</u>
<b>Total changes in working capital</b>	<u><u>416</u></u>	<u><u>1,800</u></u>