Zacco A/S

Central Business Registration no. 26 00 05 56

Arne Jacobsens Allé 15, 2300 Copenhagen, Denmark

Annual report for 2016

The Annual Report has been presented and adopted at the Company's Annual General Meeting on 16 / 5 2017

Chairman of the Meeting

Contents

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 Zacco 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.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2016.

In our opinion, the Management's review includes a fair review of the development in the Group's and the Parent Company's operations and financial matters, the results for the year and the Group's and the Parent Company's financial position.

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

Copenhagen, 16 May 2017

Executive Board

Mats Boström

Håkan Tjärnemo

Board of Directors

Hans Blomberg
Chairman

Reinhold Greijer

Stefan Ölander

Bengt Domeij

Casper Struve

Kristin Kjærheim Astrup

Åsa Gustafson

Independent Auditor's Report

To the shareholders of Zacco A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Zacco A/S for the financial year 1 January – 31 December 2016 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the Parent Company and a cash flow statement for the Group. The consolidated financial statements and parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Group's and the Parent Company's operations and consolidated 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 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 company financial statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for 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 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 responsibility for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditor's report

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

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

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements and the parent company 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 in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or taken together, they could reasonably be expected to influence the economic decisions of financial statement users made on the basis of these consolidated financial statements and parent company 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 skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent company 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 Parent 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 consolidated financial statements and the parent company 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 Parent 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 consolidated financial statements and the parent company 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 Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company 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 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's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements or the parent company 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 the work we have performed, we conclude that the Management's review is in accordance with the consolidated financial statements and the parent company 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.

Copenhagen, 16 May 2017

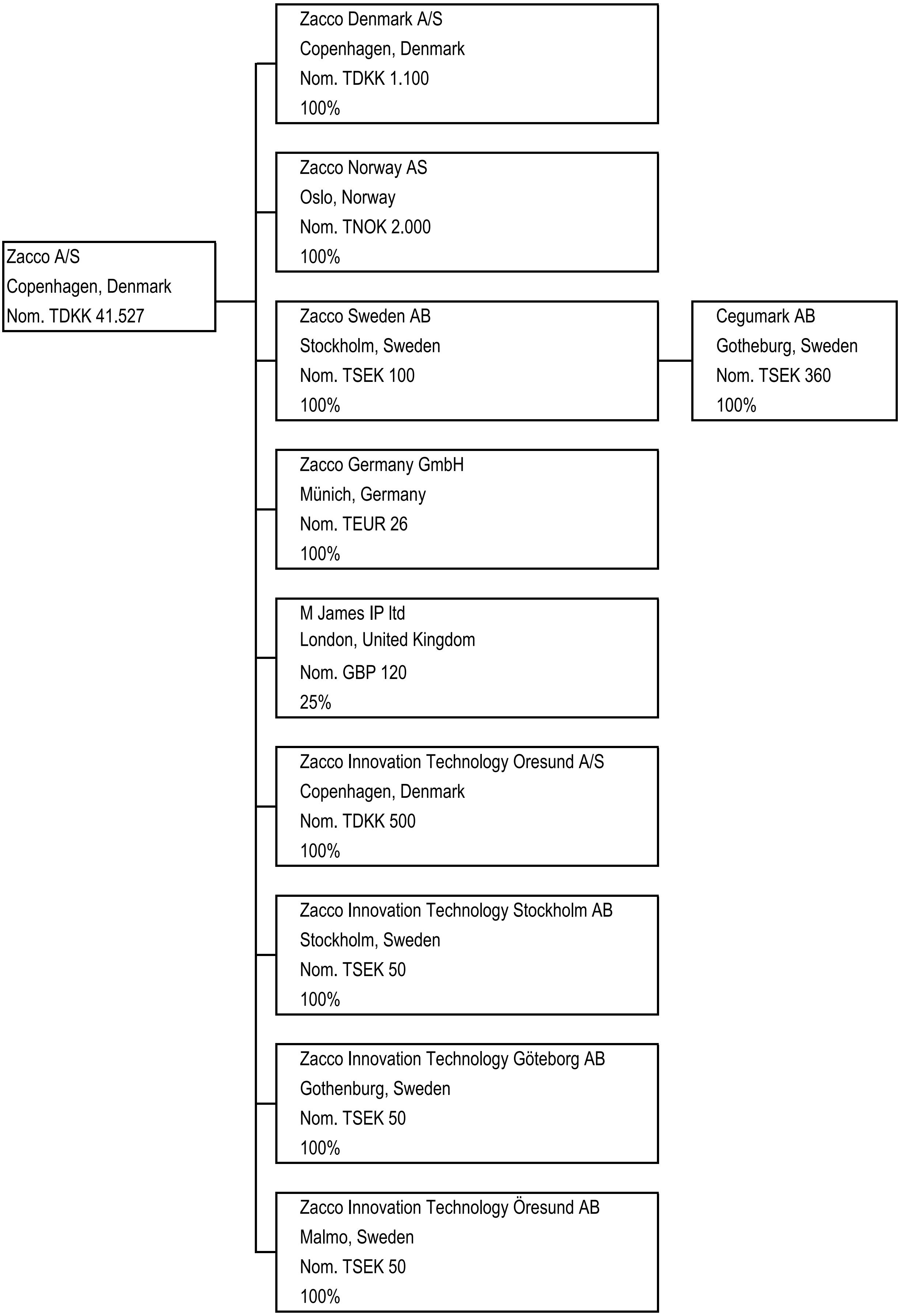
KPMG
Statsautoriseret Revisionspartnerselskab
Cvr. No. 25 57 81 98

Benny Lynge Sørensen
State Authorised
Public Accountant

Company information

The Company	Zacco A/S Arne Jacobsens Allé 15 2300 Copenhagen S	
	Telephone: Fax: Website:	+45 39 48 80 00 +45 39 48 80 80 www.zacco.com
	Central Business Registration No: Financial year: Registered in:	 26 00 05 56 1 January – 31 December Copenhagen
Board of Directors	Hans Blomberg, Chairman Reinhold Greijer Bengt Domeij Stefan Ölander Casper Struve Kristin Kjærheim Astrup Åsa Gustafson	
Executive Board	Mats Boström Håkan Tjärnemo	
Lawyers	Lundgrens Tuborg Havnevej 19 2900 Hellerup	
Auditors	KPMG Statsautoriseret Revisionspartnerselskab Dampfærgevej 28 2100 Copenhagen Central Business Registration No:	 25 57 81 98
Bank	Skandinaviska Enskilda Bank, SEB	

Group chart at 31 December 2016



Group financial highlights

The Group's development for the last 5 years can be described by the following key figures and ratios.

	2016	2015	2014	2013	2012
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Key figures					
Financial performance					
Revenue	508.093	493.104	525.155	615.101	695.209
EBITDA *)	19.645	19.755	16.240	-30.299	-25.606
Profit before financial income and expenses	17.075	17.128	13.851	-39.127	-59.829
Net financials	-4.141	-2.400	-3.472	-6.098	1.237
Profit for the year	11.644	12.628	11.435	-41.469	-58.519
Balance sheet					
Balance sheet total	194.458	161.571	167.832	207.950	264.257
Investments in property, plant and equipment	1.378	137	5.691	580	2.530
Equity	95.025	65.502	30.233	34.776	42.380
Cash flows					
Cash flows from:					
Operating activities incl. paid tax	16.331	-18.006	-576	-4.875	-35.161
Investing activities	-3.857	1.977	10.781	-2.549	-4.916
Financing activities	18.361	-2.053	-12.092	26.273	14.788
Change for the year in cash and cash equivalents	30.836	-18.082	-1.888	18.849	-25.289
Number of employees	329	310	326	452	470
Ratios in %					
Gross margin	51,7%	50,8%	49,5%	48,7%	45,2%
Profit margin	3,4%	3,5%	2,6%	-6,4%	-8,6%
Return on assets	8,8%	10,6%	8,3%	-18,8%	-22,6%
Solvency ratio	48,9%	40,5%	18,0%	16,7%	16,0%
Return on equity	14,5%	26,4%	35,2%	-107,5%	-82,3%

*) EBITDA = Earnings before interest, taxes, depreciations and amortization.

Management’s review

Market overview

Zacco is an international IP company handling 200.000 active IP rights and providing consulting service within the IP field. Zacco is the market leader in Scandinavia but also provide services for many international companies. Zacco provides services from 26 offices in Sweden, Denmark, Norway and Germany but also subcontracts work to international IP firms through an extensive international network with 150 preferred agents in more than 120 countries.

Financial development

2016 revenues have increased with 5% in constant currency rates. EBIT was 17.1 MDKK compared to 17.1 MDKK last year. EBIT for 2016 includes cost for starting up new business units in Software, Cyber Security and Digital Brand.

Business Development

In 2016, Zacco launched three new business areas Cyber Security, Software and Digital Brand. The core focus of Zacco will remain on IP, but now the scope will be broadened. By launching these new business areas, Zacco now offers additional strategic services within Intellectual Property to our clients, thereby pushing the boundaries in the cross field between Intellectual Property Rights – Cyber Security - Software. The introduction of the new business areas is a part of Zacco’s long-term plan to build an excellent platform for handling all types of IP Rights and Intangible Assets in and between organisations.

The momentum is gradually building up in our new business areas, which is very positive. The influence on the core business is positive and we can start to see some very interesting cross synergies. The new business is on schedule and target. We have closed a number of new clients and deals within the new area Digital Brand. The collaboration with the existing TM/legal business is starting to improve and we see a very interesting potential in this field going forward.

Zacco has acquired 100% of the stocks in the IP Firm Cegumark in Gothenburg. Cegumark was founded in 1989 and has since been successfully operated by the three founders Hans Cederbom (European Patent and Trademark Attorney), Leif Gustafsson (Patent Attorney) and Nils-Erik Folemark (European Trademark Attorney, Attorney at Law). The company has a sound client base of approximately 1100 clients, primarily small and medium sized entities, and a good mix of patent, trademark and design cases. Cegumark will give the Gothenburg region approx. 10 MSEK in new revenue.

The most important business initiative in Zacco is upgrading the technology and processes for building a world class platform which will enable Zacco to handle high volumes and large scale IP portfolios in a cost efficient and high quality manner. It will also allow Zacco to meet the market as ONE company and to facilitate cross-staffing between all regions, teams and offices within Zacco. The upgrading involves major investments in new technology (systems, software etc.) and working processes. The upgrading project is ongoing and a significant number of activities and steps have now been taken, though much potential is still ahead of us. The investment program has a long-term upside, but will in the short-term impact cost levels and profits. The new business “Innovation Technology” is supporting the platform and several new employees will be dedicated to the platform going forward.

During Q4-2016 a number of strategic recruitments have been made both in the new business area but also in the core business. The net increase of employees was 25 compared with Q4-2015. This trend will continue in Q1-2017 when several of the recruited people in Q4 will start. Zacco will continue to focus on attracting and attaining high-performing consultants to Zacco and offer them a highly competitive compensation package with fixed salary, “Pay for Performance” and ownership in Zacco.

Focus going forward is on growing revenues on existing and new customers. We will also continue recruitment activities in all of the regions and fine-tune the business model. During 2016, we have been successful in some strategic tender processes meaning new clients to Zacco.

2017 Objectives

Focus going forward is on growing revenues from existing and new customers. We will also continue recruitment activities in all of the regions, fine tune the business model and broadening the scope with services around our customers IP and intangible assets. Zacco forecast a revenue growth of 10% in 2017 but no increase in profit level. Zacco will in 2017 have considerable cost for the new business areas Cyber Security and Software as well as higher investment in an excellent platform.

Specific risks – operating risks and financial risks

Operating risks

The Company's business area is the provision of consulting services within IP, for which reason the Company's most important resource is professional qualifications and competences among the employees. The Company's employees fully possess the necessary professional skills and competences for servicing the Company's clients.

Zacco has increased the investments in a new platform, but even though large investments are put into building a world-class platform, the current setup with IT infrastructure, data systems and processes needs improvement to ensure seamless and efficient operation.

Market risks

Zacco operates in a growing but highly changeable market. Being an international and market-oriented organization, Zacco is in a good position for utilizing these in a dynamic way. Globalization and the long term trend of legalization becoming more and more harmonized e.g. Unitary Patent, it putting pressure and is increasing competition as the need of local agencies will be reduced.

Currency exposure

Zacco has considerable trade with other countries. As the Group invoice to as well as incur costs and make investments abroad, the net currency exposure is limited, however, with the exception of the exchange ratio between DKK and SEK, NOK and USD, respectively.

Interest rate risk

The Company is not exposed to any material interest rate risk, and accordingly no dispositions are generally entered into for hedging interest risks.

Credit risks

The Group's policy of assessment of credit risks results in current credit assessment of large customers and trading partners. By the end of the year, no increase in the credit risk has been stated, and the provisions for bad debt performed are considered sufficient.

Events after the balance sheet date

No significant material event has happened after the end of Financial Year 2016.

Intellectual capital resources

Zacco's business is people based. Retaining and attracting the right people with the right skill, competences, knowledge, commitment and customer relations are the most important intellectual capital resources in the business. As an established business, for more than 100 years, Zacco has a comprehensive network of customer and business partners domestically as well as abroad.

Corporate social responsibility

Corporate social responsibilities form an integrated part of Zacco's group values and is embedded in the way Zacco carry out business in both local and international settings. Zacco' focus areas for corporate social responsibility are environment & climate, Human rights and equal rights for genders.

Environment & Climate

Zacco believe that businesses are responsible for achieving good environmental practice and to operate in a sustainable matter.

Zacco's risks related to Environment & Climate relates to energy consumption and use of materials. We are therefore committed to reducing our environmental impact and continually improving our environmental performance as an integral and fundamental part of our business strategy and operating methods.

Our policy is to

- Wholly support and comply with or exceed the requirements of current environmental legislation and codes of practice.
- Minimise our waste and then reuse or recycle as much of it as possible.
- Strive to minimize printing
- Use, as far as possible, electronic communication when we communicate with clients, agents and authorities
- Encourage client and agents to use electronic communication when communicating with Zacco
- Strive to recycle and possibly reuse electronic and other equipment
- Minimise energy and water usage in our buildings, vehicles and processes in order to conserve supplies, and minimise our consumption of natural resources, especially where they are non-renewable.
- Apply the principles of continuous improvement in respect of air, water, noise and light pollution from our premises and reduce any impacts from our operations on the environment and local community.
- As far as possible purchase products and services that do the least damage to the environment and encourage others to do the same.
- Assess the environmental impact of any new processes or products we intend to introduce in advance.

The Zacco Management Team is responsible for environmental management and performance and the integration of sustainable development within Zacco. All employees share this responsibility and are supported by key staff to help promote best practice, continual improvement and monitor performance.

During financial year, 2016 Zacco minimized the use of printers and hardcopy printing by changing printing settings and policies for use of photocopy machines and reducing the number of machines available. Guidelines regarding the use of heating and air-condition has been communicated to all staff members to ensure a proper working environment and minimize the use of energy. This will also contribute to minimizing the companies impact on climate.

In 2017 and onward Zacco will continue to focus on improving the environmental performance, and reduce the use of resources in the group.

Human rights

Zacco recognizes the international human rights such as the right to education and the freedom of speech and secures that no discrimination based on race, religion or political opinion takes place. Zacco supports and respects conventions for human rights. Equality and diversity are very important for Zacco.

As part of recognizing the international human rights, Zacco is committed to support the development and education of young underprivileged people through the educational / motivational program “Star for Life”. The program aims to strengthen the self-esteem of young people in Africa. The work of Star for Life is in accordance with the UN Convention on the Rights of the Child and the Millennium Development Goals, to create fairer and more sustainable societies. “Star for Life” is administered and operated by Starforlife.org.

During 2016, the Star of Life has been active on a large number of schools. In 2017, the program operates in 101 schools in South Africa, 20 in Namibia, 9 in Sweden and 1 in Sri Lanka. The program reaches 100.000 pupils currently. The results achieved during 2016 relates to not only effort made during the year but also an effort over several years. Young people in the Star for Life program has a better academic performance compared to young people outside the program and the knowledge of health challenges such as HIV prevention and drugs are also at a higher level. The Star for Life is particular effective among the poorest girls.

Goals and policies for the underrepresented gender

By having a diverse management composition Zacco aims to increase work quality and interaction within the management team.

Zacco has set the following diversity objectives, which are reviewed once a year.

- at least 25% of the board members elected at the General Meeting should be women. Following the Annual general meeting in May 2016 this goal was reached, as 2 board members are women out of 7.

- Within the next 4 years, the gender split in senior management positions (Zacco management team ZMT) should be 30% /70%. By the end of March 2017 2 out of 10 members in senior management were women. It is part of Zacco’s personnel policy that the percentage of women in the other managerial positions should be slightly increased, but still engaging the most competent candidates, in order to create an equal distribution of men and women. When Zacco recruits or hire staff for managerial roles, the Company ensure, to the extent possible, to have both female and male candidates. This principle is followed for both internal and external recruitments. The personnel policy will be followed when filling in managerial positions.

Income statement 1 January to 31 December

		Group		Parent Company	
	Note	2016	2015	2016	2015
		DKK '000	DKK '000	DKK '000	DKK '000
Revenue	**1,2**	508.093	493.104	1.996	3.368
Cost of sales		-179.597	-171.254	-	-
Other external expenses		-66.034	-71.388	1.218	-3.249
Gross profit		**262.462**	**250.462**	**3.214**	**119**
Staff costs	**3,24**	-242.841	-230.577	314	-198
Other operating expenses		24	-130	-	-
Amortisation and depreciation	**4**	-2.570	-2.627	-466	-779
Result before financial income and expenses		**17.075**	**17.128**	**3.062**	**-857**
Income from investments in subsidiaries	**5**	-	-	7.840	12.854
Financial income	**6**	10.198	12.166	1.624	4.890
Financial expenses	**7**	-14.340	-14.566	-416	-3.992
Result before tax		**12.934**	**14.728**	**12.110**	**12.895**
Tax on profit for the year	**8**	-1.290	-2.100	-466	-267
Profit / (Loss) for the year	**9**	**11.644**	**12.628**	**11.644**	**12.628**

Balance sheet at 31 December

	Note	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
		DKK '000	DKK '000	DKK '000	DKK '000
Assets					
Goodwill		2.265	-	-	-
Development projects		-	266	-	-
Intangible assets	**10**	**2.265**	**266**	**0**	**0**
Other fixtures and fittings, tools and equipment		4.470	5.070	0	472
Property, plant and equipment	**11**	**4.470**	**5.070**	**0**	**472**
Investments in subsidiaries		-	-	76.138	57.461
Pension asset (net)		2.139	2.132	19	19
Other securities and investments		12	13	-	-
Fixed asset investments	**12**	**2.151**	**2.145**	**76.157**	**57.480**
Fixed assets		**8.886**	**7.480**	**76.156**	**57.952**
Trade receivables		111.017	100.312	-	-
Contract work in progress	**13**	17.148	14.141	-	-
Receivables from group enterprises		-	-	77.567	62.538
Receivables, joint tax contribution		-	-	428	-
Other receivables		1.981	7.587	145	3.046
Income taxes		3.535	7.625	-	-
Deferred tax asset	**14**	6.613	8.056	5.254	6.148
Prepayments		5.820	7.748	330	929
Receivables		**146.115**	**145.469**	**83.724**	**72.661**
Cash at bank and in hand	**15**	**39.457**	**8.621**	**-**	**-**
Total current assets		**185.572**	**154.091**	**83.724**	**72.661**
Assets		**194.458**	**161.571**	**159.880**	**130.613**

Balance sheet at 31 December

	Note	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
		DKK '000	DKK '000	DKK '000	DKK '000
Equity and liabilities					
Share capital		41.527	36.998	41.527	36.998
Reserve for own equity investments		-	-	-434	-404
Retained earnings		44.998	28.504	45.432	28.908
Proposed dividends		8.500	-	8.500	-
		95.025	**65.502**	**95.025**	**65.502**
Minority interests		12	12	-	-
Equity	**16**	**95.037**	**65.514**	**95.025**	**65.502**
Pension commitments		3.658	3.740	-	-
Other provisions	**12,17**	-	-	2.893	16.037
Provisions		**3.658**	**3.740**	**2.893**	**16.037**
Credit institutions	**18**	-	-	56.673	40.428
Prepayments received from customers	**13**	1.815	1.216	-	-
Trade payables		31.124	27.096	431	1.192
Other payables		62.823	64.006	4.857	7.455
Current liabilities		**95.762**	**92.318**	**61.961**	**49.075**
Liabilities other than provisions		**95.762**	**92.318**	**61.961**	**49.075**
Equity and liabilities		**194.458**	**161.571**	**159.880**	**130.613**

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Statement of changes in equity - Group	Share capital	Share premium account	Retained earnings	Proposed dividends	Total	Minority interests	Total
	DKK '000	DKK '000	DKK '000	DKK '000			DKK '000
Equity at 1 January 2016	36.998	-	28.504	-	65.502	12	65.514
Capital increase	4.529	13.889	-	-	18.418	-	18.418
Purchase of treasury shares	-	-	-30	-	-30	-	-30
Transferred to distributable reserves	-	-13.889	13.889	-	-	-	-
Costs regarding capital increase	-	-	-27	-	-27	-	-27
Exchange adjustments relating to independent foreign entities	-	-	-320	-	-320	-	-320
Exchange adjustments relating to profit for the year	-	-	-161	-	-161	-	-161
Profit for the year	-	-	11.644	-	11.644	-	11.644
Proposed dividends for the financial year	-	-	-8.500	8.500	-	-	-
Equity at 31 December 2016	41.527	-	44.998	8.500	95.025	12	95.037

Statement of changes in equity - Group							
Equity at 1 January 2015	36.313	-	-6.080	-	30.233	12	30.245
Capital increase	685	1.536	-	-	2.221	-	2.221
Purchase of treasury shares	-	-	-404	-	-404	-	-404
Transferred to distributable reserves	-	-1536	1.536	-	-	-	-
Costs regarding capital increase	-	-	-32	-	-32	-	-32
Exchange adjustments relating to independent foreign entities	-	-	-2.103	-	-2.103	-	-2.103
Exchange adjustments relating to profit for the year	-	-	44	-	44	-	44
Change in accounting principle - pension commitments	-	-	22.915	-	22.915	-	22.915
Profit for the year	-	-	12.628	-	12.628	-	12.628
Equity at 31 December 2015	36.998	-	28.504	-	65.502	12	65.514

Statement of changes in equity - Parent Company	Share capital	Share premium account	Reserve according to the equity method	Retained earnings	Proposed dividends	Total
	DKK '000	DKK '000	DKK '000			DKK '000
Equity at 1 January 2016	36.998	-	-404	28.908	-	65.502
Capital increase	4.529	13.889	-	-	-	18.418
Transferred to distributable reserves	-	-13.889	-	13.889	-	-
Purchase of treasury shares	-	-	-30	-	-	-30
Costs regarding capital increase	-	-	-	-27	-	-27
Exchange adjustments relating to independent foreign entities	-	-	-320	-	-	-320
Exchange adjustments relating to profit for the year	-	-	-161	-	-	-161
Profit for the year	-	-	482	11.162	-	11.644
Proposed dividends for the financial year	-	-	-	-8.500	8.500	-
Equity at 31 December 2016	41.527	-	-434	45.432	8.500	95.025

Statement of changes in equity - Parent Company	Share capital	Share premium account	Reserve according to the equity method	Retained earnings	Proposed dividends	Total
Equity at 1 January 2015	36.313	-	-	-6.080	-	30.233
Capital increase	685	1.536	-	-	-	2.221
Transferred to distributable reserves	-	-1.536	-	1.536	-	-
Purchase of treasury shares	-	-	-404	-	-	-404
Costs regarding capital increase	-	-	-	-32	-	-32
Exchange adjustments relating to independent foreign entities	-	-	-2.103	-	-	-2.103
Exchange adjustments relating to profit for the year	-	-	44	-	-	44
Change in accounting principle - pension commitments	-	-		22.915	-	22.915
Profit for the year	-	-	2.059	10.569	-	12.628
Equity at 31 December 2015	36.998	-	-404	28.908	-	65.502

Consolidated cash flow statement 1 January to 31 December

	Note	2016	2015
		DKK '000	DKK '000
Profit for the year		11.644	12.628
Adjustments	**22**	7.408	1.321
Change in working capital	**23**	-2.822	-25.421
Cash flows from operating activities before net financials		16.230	-11.471
Interest income and similar		10.198	12.166
Interest expenses and similar		-14.340	-14.566
Cash flows from ordinary activities		12.088	-13.871
Paid/repaid Income taxes		4.243	-4.135
Cash flows from operating activities		**16.331**	**-18.006**
Purchase of Goodwill		-2.471	-
Purchase of property, plant and equipment		-1.378	-137
Increase/decrease in deposits		-7	2.114
		-3.857	**1.977**
Installments on loans and credit institutions		-	-3.838
Treasury shares, net		-30	-404
Capital increase		18.418	2.221
Costs regarding capital increase		-27	-32
Cash flows from financing activities		**18.361**	**-2.053**
Increase in cash and cash equivalents		**30.836**	**-18.082**
Cash and cash equivalents at 1 January		8.621	26.703
Cash and cash equivalents at 31 December		**39.457**	**8.621**

Notes to the annual report

1 Segment reporting

Geographical markets	Group 2016	Group 2015
	DKK '000	DKK '000
Revenue		
Denmark	162.531	159.806
Sweden	204.598	208.205
Norway	109.940	102.293
Germany	31.025	22.800
Operating activities	508.093	493.104

2 Revenue

	Parent Company 2016	Parent Company 2015
	DKK '000	DKK '000
Geographical markets:		
Europe	1.996	3.368

3 Employees

	Group		Parent Company	
	2016	2015	2016	2015
	DKK '000	DKK '000	DKK '000	DKK '000
Salaries	198.650	189.608	24.305	23.787
Pensions	13.908	12.605	402	448
Other social security costs	30.283	28.364	1.165	190
Allocation to other Group companies		-	-26.185	-24.228
	242.841	**230.577**	**-314**	**197**
Remuneration for Executive and Board of Directors	**8.770**	**7.984**	**8.577**	**7.984**
Average number of employees	**329**	**310**	**29**	**27**

4 Amortisation, depreciation and write-down

	Group		Parent Company	
	2016	2015	2016	2015
	DKK '000	DKK '000	DKK '000	DKK '000
Goodwill	201	-	-	-
Development costs	255	445	-	-
Other fixtures and fittings, tools and equipment	2.114	2.182	466	779
	2.570	2.627	466	779

Notes to the annual report

5	Income from investments in subsidiaries	Parent Company 2016	Parent Company 2015
		DKK '000	DKK '000
	Profit subsidiaries	7.880	12.898
	Amortisation and write-down of goodwill	-201	-
	Exchange adjustments relating to profit for the year	161	-44
		7.840	12.854

		Group		Parent Company	
		2016	2015	2016	2015
6	Financial income	DKK '000	DKK '000	DKK '000	DKK '000
	Interests on cash & bank deposits	906	128	-	-
	Interest income from group companies	-	-	403	1.655
	Exchange adjustments	9.280	12.039	1.221	3.235
	Other financial income	13	0	-	-
		10.198	12.166	1.624	4.890

		Group		Parent Company	
7	Financial expenses	2016	2015	2016	2015
		DKK '000	DKK '000	DKK '000	DKK '000
	Exchange adjustments	10.598	12.297	905	3.691
	Instruments of debt and credit institutions	2.570	842	573	147
	Interest expenses from group companies	-	-	-1.082	142
	Other financial expenses	1.171	1.427	19	12
		14.340	14.566	416	3.992

		Group		Parent Company	
8	Tax on profit for the year	2016	2015	2016	2015
		DKK '000	DKK '000	DKK '000	DKK '000
	Current tax for the year	-	-1.712	428	13
	Deferred tax for the year	-1.290	-388	-894	-280
		-1.290	-2.100	-466	-267

9	Proposed distribution of profit:	Parent Company 2016	Parent Company 2015
		DKK '000	DKK '000
	Proposed dividends for the financial year	8.500	-
	Retained earnings	2.662	10.569
	Reserve for net revaluation according to the equity method	482	2.059
		11.644	12.628

Notes to the annual report

10 Intangible assets

	Goodwill	Development costs	Group 2016 Total	Group 2015 Total
	DKK '000	DKK '000	DKK '000	DKK '000
Cost at 1 January	18.014	804	18.818	21.248
Exchange adjustment to rate at year-end	-452	-34	-486	463
Additions for the year	2.471	-	2.471	-
Disposals for the year	-	-	-	-2.893
Cost at 31 December	20.033	770	20.803	18.818
Amortisation and write-down at 1 January	18.014	538	18.552	20.568
Exchange adjustment to rate at year-end	-452	-23	-475	449
Amortisation and write-down for the year	201	255	456	445
Exchange adjust. of amortisation for the year	5	-0	5	-17
Reversed write-down and amortisation	-	-	-	-2.893
Amortisation and write-down at 31 December	17.768	770	18.538	18.552
Carrying amount at 31 December	**2.265**	**0**	**2.265**	**266**
Amortised over max. years	10	5	5-10	5-10

11 Property, plant and equipment

	Group 2016	Group 2015
	DKK '000	DKK '000
Other fixtures and fittings, tools and equipment		
Cost at 1 January	13.348	22.134
Exchange adjustment to rate at year-end	-100	129
Additions during the year	1.378	137
Disposals during the year	-2.115	-9.052
Cost at 31 December	12.511	13.348
Depreciation and write-down at 1 January	8.278	14.774
Exchange adjustment to rate at year-end	-147	142
Depreciation for the year	2.114	2.182
Exchange adjustment of depreciation for the year	1	5
Reversed write-down and depreciation	-2.206	-8.825
Depreciation and write-down at 31 December	8.041	8.278
Carrying amount at 31 December	**4.470**	**5.070**
Depreciated over max. years	3-5	3-5
Of this, assets held under finance lease are included by	**0**	**472**

Notes to the annual report

Property, plant and equipment	Parent Company 2016	2015
	DKK '000	DKK '000
Other fixtures and fittings, tools and equipment		
Cost at 1 January	2.115	3.727
Additions during the year	-	-
Disposals during the year	-2.115	-1.612
Cost at 31 December	0	2.115
Depreciation and write-down at 1 January	1.643	2.417
Depreciation for the year	466	779
Depreciation and write-down for the year of sold assets	-2.109	-1.553
Depreciation and write-down at 31 December	0	1.643
Carrying amount at 31 December	**0**	**472**
Depreciated over max. years	3-5	3-5
Of this, assets held under finance lease are included by	**0**	**472**

Notes to the annual report

12 Fixed asset investments

Investments in subsidiaries	Parent Company 2016	Parent Company 2015
	DKK '000	DKK '000
Cost at 1 January	59.993	43.908
Additions for the year	23.562	16.085
Disposals for the year	-	-
Cost at 31 December	83.554	59.993
Value adjustments at the beginning of the year	-18.568	-52.322
Exchange rate adjustment	-320	-2.059
Profit for the year	7.882	12.898
Amortisation and write-down of goodwill	-203	-
Other adjustments	900	22.915
Value adjustments at 31 December	-10.310	-18.568
Negative investments in subsidiaries moved to provisions	2.893	16.037
Carrying amount at 31 December	**76.138**	**57.461**

Notes to the annual report

Investments in subsidiaries can be specified as follows:

Name	Owner-ship in %	Contribu-ted capital	Equity	Profit before tax	Profit for the year
			DKK '000	DKK '000	DKK '000
Zacco Denmark A/S	100%	TDKK 1.100	33.002	5.074	4.039
Zacco Norway AS	100%	TNOK 1.000	15.056	5.837	5.837
Zacco Sweden AB	100%	TSEK 100	19.152	219	430
Cegumark AB (shares aquired 1. October 2016 by Zacco Sweden AB)	100%	TSEK 360	1.034	391	392
Zacco Germany GmbH	100%	TEUR 26	7.890	694	694
Zacco Innovation Technology Oresund A/S	100%	TDKK 500	-786	-1.286	-1.286
Zacco Innovation Technology Stockholm AB	100%	TSEK 50	-958	-997	-997
Zacco Innovation Technology Götebog AB	100%	TSEK 50	-1.145	-1.183	-1.183
Zacco Innovation Technology Öresund AB	100%	TSEK 50	-5	-44	-44
M James Ip Ltd	25%	GBP 120	4		
			73.245	8.704	7.882
Amortisation and write-down of goodwill				-203	-203
Negative investments in subsidiaries moved to provisions			2.893		
			76.138	8.501	7.679

12 Fixed asset investments

Group	Deposits	Other securities and investments
	DKK '000	DKK '000
Cost at 1 January 2016	2.132	13
Exchange adjustment to year-end rates	-	-1
Additions during the year	7	
Carrying amount at 31 December	**2.139**	**12**

13 Contract work in progress

	Group		Parent Company	
	2016	2015	2016	2015
	DKK '000	DKK '000	DKK '000	DKK '000
Work in progress	17.148	14.141	-	-
Prepayments received	-1.815	-1.216	-	-
	15.333	**12.925**	-	-

14 Deferred tax asset

	Group		Parent Company	
	2016	2015	2016	2015
	DKK '000	DKK '000	DKK '000	DKK '000
Intangible assets	-	-	-	-
Property, plant and equipment	182	174	-	-
Trade receivables	260	189	-	-
Work in progress	-1.087	-632	-	-
Pension asset (net)	463	518	-	-
Other tax reserves in subsidiaries	-	-	-	-
Accrued costs	448	708	-	-
Tax losses carryforward	6.347	7.099	5.254	6.148
	6.613	**8.056**	**5.254**	**6.148**

The Group has a unrecognised deferred tax asset relating to Zacco Norway AS and Zacco Germany.

Notes to the annual report

	Group		Parent Company	
	2016	2015	2016	2015
15 Cash and cash equivalents	DKK '000	DKK '000	DKK '000	DKK '000
The total cash and cash equivalents are distributed as follows:				
Available cash and cash equivalents	37.297	8.621	-	-
Cash and cash equivalents tied up	2.161	0	-	-
	39.457	**8.621**	**-**	**-**

16 Equity

The share capital consists of 83.054.781 shares of nominally DKK 0,5. No shares have special rights.
The company has issued 9.058.662 shares in 2016.

Specification of changes in share capital:

	2016	2015	2014	2013
	DKK '000	DKK '000	DKK '000	DKK '000
Share capital at the beginning of the year	73.996	72.627	27.987	17.987
Capital increase	9.059	1.369	44.640	10.000
Change of nominal value per share from DKK 1 to DKK 0,5			37.987	
Share decrease to retained earnings			-37.987	
	83.055	**73.996**	**72.627**	**27.987**

The company has 251.156 treasury shares of nomanlly 0,5 DKK, which is 0,3% of the share capital. During 2016 the company has acquired 20.000 shares from a former employee.

17 Other provisions

Other provisions comprise staff-related expenses, negative investments in subsidiaries, claims from sales of investments and provision for pensions.

Notes to the annual report

18 Non-current liabilities

Instalments due within 1 year have been listed under current liabilities. Other liabilities have been recognised under non-current liabilities.

The liabilities fall due according to the below order:

	Group		Parent Company	
	2016	2015	2016	2015
Credit institutions	DKK '000	DKK '000	DKK '000	DKK '000
Non-current portion	-	-	-	-
Within 1 year	-	-	56.673	40.428
	-	**-**	**56.673**	**40.428**

19 Contingent items, securities and other financial commitments

Lease commitments from operating lease.

	Group	
Total future rental and lease payments:	2016	2015
	DKK '000	DKK '000
Within 1 year	17.927	18.217
Between 1 and 5 years	22.013	40.815
After five years	147	343
	40.088	**59.375**

The Group is regularly party to lawsuits, disputes and similar. Management does not believe these cases to significantly influence the Group's financial position.

A security of 43 mDKK in debtors and operating equipment in Zacco Denmark A/S has been granted as security for the total bank commitment for Zacco A/S, Zacco Denmark A/S, Zacco Norway and Zacco Germany.
A security in debtors of 300 tSEK has been granted as security for Cegumark AB's total bank commitment.

A security in debtors of 37,9 mSEK has been granted as security for Zacco Sweden AB's total bank commitment. The companies in the Group have provided security to credit institutions by way of guarantee of 44,9 mDKK correspon-ding to the limit for operating credit facility.

Parent
The parent company has issued a bank guarantee of 500 tEUR relating to claims from sales of the shares in Zacco Netherlands.

Notes to the annual report

	Group		Parent Company	
	2016	2015	2016	2015
	DKK '000	DKK '000	DKK '000	DKK '000
20 Fee to auditors appointed by the General Meeting				
Audit fees	598	627	95	130
Other statements and reports	10	-		-
Income taxes	176	57	35	20
Other services	434	161		10
	1.218	**845**	**130**	**160**

21 Related parties and ownership

Controlling influence

No related parties have a controlling interest.

Other related parties

The Company has chosen only to disclose transactions that are not carried out on an arm's length basis in accordance with section 98c(7) of the Danish Financial Statements Act.

Ownership

The following shareholders are registered in the Company's register of shareholders as owning minimum 5% of the votes or minimum 5% of the share capital:

Eterna Invest AB, Sverige
Ölander Invest AB, Sverige
Mats Boström, Sverige

Notes to the annual report

22 Cash flow statement - adjustments	Group 2016	Group 2015
	DKK '000	DKK '000
Other operating income/expenses	-24	130
Financial income	-10.198	-12.166
Financial expenses	14.340	14.566
Amortisation, depreciation and write-down for the year	2.570	2.627
Adjustment related to pension asset in Zacco Norway AS	0	-3.071
Adjustment of pension commitment and other liabilities	-81	-807
Tax on profit for the year	1.290	2.100
Other adjustments	-488	-2.057
	7.408	**1.321**

23 Cash flow statement - working capital changes	Group 2016	Group 2015
	DKK '000	DKK '000
Change in receivables	-6.185	-14.605
Change in trade payables, other payables, etc	3.363	-10.816
	-2.822	**-25.421**

24 Incentive programme

Zacco has issued 2.110.000 call options in 2014 to key members of management. The options gives the option holder a right to purchase one (1) share for each option. The options are issued in two allotments. First allotment can be called during October 2015, and second allotment can be called during October 2016. The purchase price for the options has been calculated using the Black-Scholdes formula to ensure a market price. First allotment expired November 2015 and second allotment expired November 2016. During October 2015 402.500 options were called and the remaining options of first allotment expired November 2015. During October 2016 665.000 options were called and the remaining options of second allotment expired November 2016.

Accounting Policies

The Annual report of Zacco A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large companies of reporting class C.

The Annual Report for 2016 has been prepared in DKK 1,000.

As from 1 January 2016, the Group has implemented Act no. 738 of 1 June 2015. The changes have no monetary effect on the income statement or the balance sheet for 2016 or for the comparative figures.

Recognition and measurement

All revenues are recognised in the income statement as earned based on the following criteria:

- a binding sales agreement has been made,
- the sales price has been determined, and
- payment has been received at the time of sale or may with reasonable certainty be expected to be received.

Based on the above, revenues are recognised in the income statement as earned, which includes recognition of value adjustments of financial assets and liabilities measured at fair value or amortised cost. Furthermore, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any deductions and with the addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Basis of consolidation

The Annual Report comprises the Parent Company, Zacco A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. The Group comprises Zacco A/S and the enterprises which appear from the group chart.

The Annual Report of the Group has been prepared on the basis of the Annual Reports of the Parent Company and subsidiaries by combining accounting items of a uniform nature.

On consolidation, elimination is made of intercompany income and expenses, shareholdings and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Annual Reports used for the purpose of the Annual Report of the Group have been prepared in accordance with the accounting policies of the Group.

Accounting Policies

On acquisition of subsidiaries, the difference between cost of acquisition and net asset value of the company acquired is determined at the date of acquisition after the individual assets and liabilities having been adjusted to fair value (the acquisition method) and allowing for the recognition of any restructuring provisions relating to the company acquired.

Any remaining positive differences (goodwill) are recognised in intangible assets in the balance sheet as goodwill, which is amortised in the income statement on a straight-line basis over the expected useful life, up to a maximum of 20 years. In each individual case Management estimates the expected useful life.

Minority interests

On the statement of group results and group equity, the share of results and equity of subsidiaries attributable to minority interests are recognised as separate items in the income statement and the balance sheet. Minority interests are recognised on the basis of a remeasurement of acquired assets and liabilities at fair value at the time of acquisition of subsidiaries.

On subsequent changes to minority interests, the changed share is included in results as of the date of change.

Leases

Leases in respect of property, plant and equipment in terms of which the individual group companies assume substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the fair value of the leased asset, if measurable. Alternatively, the net present value, if lower, of future lease payments at the inception of the lease is applied. When computing the net present value, the interest rate implicit in the lease is applied as the discount rate or an approximated value. Assets acquired under finance leases are depreciated and written down for impairment in the same way as the other property, plant and equipment of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement over the lease term.

Translation policies

Transactions in foreign currencies are translated during the year at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.
On recognition of foreign subsidiaries of the Company that are separate legal entities, income statements are translated at average exchange rates, whereas balance sheet items are translated at the exchange rates at the balance sheet date.

Exchange adjustments arising on the translation of the opening equity of independent foreign enterprises and exchange adjustments arising from the translation at average exchange rates of the income statements of independent foreign enterprises are recognised directly in equity.

Segment reporting

Segment information is presented in respect of geographical markets. Such information is based on the Company's risks and returns and its internal financial reporting system.

Accounting Policies

Income Statement

Revenue

Revenue equals the selling price of work completed for the year. The completion of the individual projects often covers several financial periods and therefore the percentage-of-completion method is applied for the recognition of income. Accordingly, the profit on work performed is recognised as income on a pro rata basis concurrently with finalisation.

Cost of sales

Production costs comprise costs incurred to achieve revenue for the year, including out-of-pocket expenses paid by Danish and foreign employees and charges to public authorities.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Other external expenses also include research and development costs that do not qualify for capitalisation.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Depreciation

Depreciation comprises amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and expenses comprise accounting items of a secondary nature compared to the Company's main activity, including profit and loss on sale of intangible assets and property, plant and equipment.
Profit or loss on sale or winding up of subsidiaries is calculated as the difference between selling price for the settlement amount and the carrying amount of net assets at the time of sale or winding up, including unamortised goodwill as well as expected costs of sale or winding up.

Income from investments in group enterprises

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year less goodwill amortisation and change in internal profit.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments.

Accounting Policies

Corporation tax and deferred tax

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity entries is recognised directly in equity.

Current tax liabilities are recognised in short-term debt in the balance sheet in the event of non-payment.

Deferred tax is measured under the balance sheet liability method in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences

concerning goodwill not deductible for tax purposes. Deferred tax is measured on the basis of the tax rates of the respective countries.

The Company is jointly taxed with Zacco Denmark A/S. The tax effect of the joint taxation with the subsidiary is allocated in proportion to the taxable incomes (full allocation with credit for tax losses).

Accounting Policies

Balance Sheet

Intangible assets

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life determined on the basis of Management's experience with the individual business areas. The maximum amortisation period is 20 years. In each individual case Management estimates the expected useful life.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Fixtures, fittings and equipment	3-5 years
Computer hardware and software	3 years
Leasehold improvements	5 years

Gains and losses on current replacement of property, plant and equipment are recognised in "Depreciation".

New acquisitions costing less than DKK 12,900 are expensed fully in the year of acquisition.

Impairment of fixed assets

The carrying amounts of both intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation. If so, the asset is written down to its lower recoverable amount. The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets should be assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Goodwill and other assets for which a value in use cannot be determined as the asset does not on an individual basis generate future cash flows are reviewed for impairment together with the group of assets to which they are attributable.

Fixed asset investments

Unlisted shares are measured at estimated selling price.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The items "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of any remaining value of positive differences (goodwill) and deduction of any remaining value of negative differences (negative goodwill).

Accounting Policies

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Receivables

Receivables are recognised in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable as well as general write-down based on the Company's experience from previous years.

Contract work in progress

Contract work in progress is measured at the selling price of the work performed based on the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.
Prepayments are set off against contract work in progress. Payments received on account in excess of the contract work performed to date are stated separately for each contract and recognised as prepayments received from customers in short-term debt.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments and deferred income

Prepayments include expenses incurred in respect of subsequent financial years. Such expenses are typically prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Deferred income includes payments received in respect of income in subsequent years.

Equity

Dividend
Dividend proposed distributed for the year by Management is shown as a separate equity item.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Pension obligations

To the extent that pension obligations are not covered by insurance, they are recognised in the balance sheet as provisions. The calculation of the liability is based on actuarial computations or on capitalised values.

Financial debts

Fixed-interest loans, such as loans from credit institutions, intended held to maturity are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost equal to the capitalised value using the effective interest method; the difference between the proceeds and the nominal value (the capital loss) is recognised in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Derivative financial instruments

On initial recognition, derivative financial instruments are measured at cost and subsequently at fair value in the balance sheet. Positive and negative fair values of derivative financial instruments are classified as “Other receivables” or “Other payables”, respectively.

Change in the fair value of derivative financial instruments is recognised in the income statement unless the derivative financial instrument is classified as and meets the criteria for hedge accounting, see below.

Hedge accounting
A change in the fair value of financial instruments classified as and complying with the criteria for hedging of the fair value of a recognised asset or a recognised liability is recognised in the income statement together with changes in the fair value of the hedged asset or the hedged liability which is attributable to the hedged risk.

A change in the fair value of financial instruments classified as and complying with the criteria for hedging of expected future transactions is recognised in equity as retained earnings with respect to the effective part of the hedging. The ineffective part is recognised in the income statement
. If the hedged transaction results in an asset or a liability, amounts deferred under equity are transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, amounts deferred under equity are transferred from equity and recognised in the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

A change in the fair value of financial instruments classified as and complying with the criteria for hedging of net investments in independent subsidiaries or associates is recognised directly in equity with respect to the effective part of the hedging, whereas the ineffective part is recognised in the income statement.

Accounting Policies

Cash Flow Statement

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

Cash flows from operating activities

Cash flows from operating activities are calculated as the group net profit/loss for the year adjusted for non-cash operating items such as depreciation, amortisation and impairment losses, provisions as well as changes in working capital. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payment of dividend to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

Accounting Policies

Financial ratios

The Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios have been calculated as follows:

EBITDA	=	Earnings before interests, tax, depreciations and amortisations
Gross margin	=	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin	=	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on net assets	=	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	=	$\frac{\text{Equity at year end} \times 100}{\text{Total assets}}$
Return on equity	=	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$