SubC Partner A/S

Sahara 4, 6700 Esbjerg

CVR no. 28 70 26 12

Annual report 2017

Approved at the Company's annual general meeting on 31 May 2018

Chairman:

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Contents

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of SubC Partner A/S for the financial year 1 January - 31 December 2017.

The annual report is 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 2017 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

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

Esbjerg, 31 May 2018
Executive Board:

Tonny Klein

Board of Directors:

Per Høholt Chairman	Jan Stefan Tantholdt Nielsen	Kasper Skovgaard Kristensen

Independent auditor's report

To the shareholders of SubC Partner A/S

Opinion

We have audited the financial statements of SubC Partner A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement 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 2017 and of the results of the Company's operations as well as the cash flows for the financial year 1 January - 31 December 2017 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 financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it 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 the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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.

Independent auditor's report

- 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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management'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 the work we have performed, 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.

Esbjerg, 31 May 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Morten Østergaard Koch	Rasmus Berntsen
State Authorised Public Accountant	State Authorised Public Accountant
MNE no.: mne35420	MNE no.: mne35461

Management's review

Company details

Name	SubC Partner A/S
Address, Postal code, City	Sahara 4, 6700 Esbjerg
CVR no.	28 70 26 12
Established	15 April 2005
Registered office	Esbjerg
Financial year	1 January - 31 December
Website	www.subcpartner.com
E-mail	mail@subcpartner.com
Telephone	+45 70 23 21 22
Telefax	+45 70 10 04 69
Board of Directors	Per Høholt, Chairman Jan Stefan Tantholdt Nielsen Kasper Skovgaard Kristensen
Executive Board	Tonny Klein
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Havnegade 33, 6700 Esbjerg, Denmark

Management's review

Financial highlights

DKK'000	2017	2016	2015	2014	2013
Key figures					
Gross margin	27,933	48,483	74,267	77,775	64,975
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	-11,717	-2,453	17,257	21,101	14,929
Operating profit/loss	-21,310	-11,457	10,440	15,719	9,283
Net financials	-1,568	-1,580	-945	-1,085	-2,789
Profit/loss for the year	**-17,875**	**-10,244**	**7,628**	**11,208**	**5,018**
Total assets	53,878	61,017	71,855	71,401	72,500
Investment in property, plant and equipment	-1,033	-7,899	-14,701	-7,596	-9,744
Equity	**3,456**	**12,970**	**30,812**	**34,172**	**22,935**
Financial ratios					
Solvency ratio	6.4%	21.3%	42.9%	47.9%	31.6%
Return on equity	-217.6%	-46.8%	23.5%	39.3%	21.9%
Average number of employees	67	86	98	102	80

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations on the calculation of financial ratios. For terms and definitions, please see the accounting policies.

Management's review

Principal activities of the Company

SubC Partner A/S is engaged in subsea and topside inspection, repair and maintenance of offshore wind and oil/gas installations and vessels as well as manufacturing and repair of modules, structures and process equipment for the oil/gas industry. SubC Partner covers the entire value chain from engineering to installations & commissioning.

Development in activities and financial position

Profit after tax amounted to DKK -17,485 thousand compared to DKK -10,244 thousand last year. The activity and the profit for the year was lower than expected level, and management considers the profit for the year to be non-satisfactory.

The operating cash flow for 2017 amounted to DKK -6,001 thousand, which management considers being non-satisfactory.

The root cause is very low activities within oil/gas industry.

Outlook

The market activity in the offshore oil/gas industry in the Danish part of the North Sea is expected to be higher in 2018 due to higher oil price and general settlement in the market. The activity in the offshore wind industry is expected to pick up in 2018 as well. SubC Partner operates in both market segments and the development in both markets is therefore important for the results in 2018. Based on the unsatisfactory development in 2016 and 2017 both changes in the management and other cost reductions have been executed to ensure a profitable foundation for 2018.

Events after the balance sheet date

No events have occurred subsequent to the balance sheet date, which would have negative impact on the financial position of the Company.

Special risks

General risks

The offshore Wind and the Oil and Gas industries are characterized by a cyclical level of activity. Furthermore, the activity level is highly influenced by political discussions and legislation. The activities in the Company are spread across a number of business areas, reducing dependence of individual segments. It is also essential to the Company to be ahead of the technological development within all business areas.

Financial risks

Due to the level of company interest bearing debt, moderate changes in the interest rates will only have minor effect on the company's earnings. Interest rate positions are made.

The ongoing operations are exposed to currency exchange risks. The Company invoices in DKK, EUR, GBP and NOK, whereas a large share of purchasing is in DKK, EUR and GBP. Currency risks are mainly hedged by purchasing and invoicing in the same currency. Significant contracts in GBP or NOK will be hedged by currency forward contracts.

Knowledge resources

The level of knowledge achieved by the Company is based on competence development, supplementary education, retention of staff and an inspiring, developing and challenging working environment, as well as ongoing employment of people with complementary expertise.

The Company continuously develops the level of knowledge so that it becomes a positive part of the Company image and amplifies the market opportunities for the Company.

In addition, the Company owns worldwide Intellectual Property Rights.

Impact on the external environment

For the benefit of the environment as well as from a financial point of view, the Company will try to reduce its environmental impact.

Management's review

The Company maintains an efficient waste separation system, which ensures that the maximum amount of waste is recycled.

Research and development activities

The Company has no research activities.

The development activities include new welding procedures and technical solutions within subsea activities

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2017	2016
	Gross margin	27,933	48,483
3	Staff costs	-39,650	-50,936
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-9,593	-9,004
	Profit/loss before net financials	-21,310	-11,457
	Income from investments in group entities	-57	17
	Financial income	76	26
4	Financial expenses	-1,644	-1,606
	Profit/loss before tax	-22,935	-13,020
5	Tax for the year	5,060	2,776
	Profit/loss for the year	-17,875	-10,244

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2017	2016
	ASSETS		
	Fixed assets		
6	**Intangible assets**		
	Completed development projects	3,485	4,417
	Acquired intangible assets	536	572
	Development projects in progress	2,517	0
		6,538	4,989
7	**Property, plant and equipment**		
	Other fixtures and fittings, tools and equipment	17,182	24,507
	Leasehold improvements	687	1,428
		17,869	25,935
8	**Investments**		
	Investments in group entities, net asset value	636	710
	Other receivables	565	570
		1,201	1,280
	Total fixed assets	25,608	32,204
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	7,347	8,363
		7,347	8,363
	Receivables		
	Trade receivables	8,712	10,707
9	Work in progress for third parties	4,884	5,442
13	Deferred tax assets	5,475	494
	Income taxes receivable	681	891
	Other receivables	417	514
10	Prepayments	713	1,356
		20,882	19,404
	Cash	41	1,046
	Total non-fixed assets	28,270	28,813
	TOTAL ASSETS	53,878	61,017

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2017	2016
	EQUITY AND LIABILITIES		
	Equity		
11	Share capital	500	500
	Net revaluation reserve according to the equity method	446	480
	Reserve for development costs	3,309	1,549
	Retained earnings	-799	10,441
	Total equity	3,456	12,970
	Liabilities other than provisions		
12	**Non-current liabilities other than provisions**		
	Lease liabilities	3,051	4,282
	Subordinate loan capital	0	7,876
		3,051	12,158
	Current liabilities other than provisions		
12	Current portion of long-term liabilities	1,230	1,487
14	Bank debt	32,386	23,397
9	Prepayments on work in progress	1,182	74
	Trade payables	6,672	3,824
	Payables to group entities	469	532
	Other payables	5,432	6,575
		47,371	35,889
	Total liabilities other than provisions	50,422	48,047
	TOTAL EQUITY AND LIABILITIES	53,878	61,017

1 Accounting policies
2 Capital resources
15 Contractual obligations and contingencies, etc.
16 Off-balance sheet arrangements
17 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

	DKK'000	Share capital	Net revaluation reserve according to the equity method	Reserve for development costs	Retained earnings	Total
	Equity at 1 January 2017	500	480	1,549	10,441	12,970
	Debt waiver of subordinated loan	0	0	0	8,378	8,378
18	Transfer, see "Appropriation of profit/loss"	0	-17	1,760	-19,618	-17,875
	Exchange adjustment	0	-17	0	0	-17
	Equity at 31 December 2017	**500**	**446**	**3,309**	**-799**	**3,456**

Financial statements 1 January - 31 December

Cash flow statement

Note	DKK'000	2017	2016
	Profit/loss for the year	-17,875	-10,244
19	Adjustments	5,592	7,623
	Cash generated from operations (operating activities)	-12,283	-2,621
20	Changes in working capital	7,059	9,386
	Cash generated from operations (operating activities)	-5,224	6,765
	Interest received, etc.	75	26
	Interest paid, etc.	-1,142	-1,230
	Income taxes paid	0	-1,804
	Income tax received	290	0
	Cash flows from operating activities	-6,001	3,757
	Additions of intangible assets	-2,850	-1,987
	Additions of property, plant and equipment	-1,033	-7,899
	Disposals of property, plant and equipment	1,373	318
	Changes in deposits	5	0
	Cash flows to investing activities	-2,505	-9,568
	Dividends paid	0	-7,500
	Subordinate loan capital	0	7,500
	Repayments, long-term liabilities	-1,488	-665
	Lease liabilities	0	5,897
	Cash flows from financing activities	-1,488	5,232
	Net cash flow	-9,994	-579
	Cash and cash equivalents at 1 January	-22,351	-21,772
21	**Cash and cash equivalents at 31 December**	-32,345	-22,351

Financial statements 1 January - 31 December

Notes to the financial statements

1 **Accounting policies**

The annual report of SubC Partner A/S for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

In accordance with section 112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Basis of recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of such assets can be reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and the value of such liabilities can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned. Moreover, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment losses and provisions as well as reversals as a result of changes in accounting estimates of amounts that were previously recognised in the income statement.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised 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 rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Income from the sale of goods for resale and finished goods is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Income from construction contracts involving a high degree of customisation is recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the market value of the contract work performed during the year (percentage-of-completion method). This method is used where the total income and expenses and the degree of completion of the contract can be measured reliably.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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

Gross margin

The items revenue, change in inventories, cost of goods sold, other operating income and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of fixed assets.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The cost net of the expected residual value for completed development projects and acquired IP rights is amortised over the expected useful life. Acquired IP rights include patents, rights and licences.

The basis of amortisation/depreciation, which is calculated as cost less any residual value, is amortised/depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Completed development projects	5-7 years
Intangible assets aquired	5-7 years
Other fixtures and fittings, tools and equipment	2-10 years
Leasehold improvements	5 years

Income from investments in subsidiaries

The item includes the Company's proportionate share of the profit/loss for the year in subsidiaries.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities and associates, declared dividends from other securities and investments, financial expenses relating to finance leases, realised and unrealised capital gains and losses relating to other securities and investments, exchange gains and losses and amortisation of financial assets and liabilities.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company is jointly taxed with its higher-ranking parent company.

The Company and its Danish group entities are jointly taxed. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Balance sheet

Intangible assets

Development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are identifiable and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is 5-7 years.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Investments

Deposits are recognised at cost.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Investments in subsidiaries

On initial recognition, investments in subsidiaries measured at cost and subsequently at the proportionate share of the entities' net asset values calculated in accordance with the parent company's accounting policies minus or plus any residual value of positive or negative goodwill calculated in accordance with the purchase method of accounting. Net revaluations of investments in subsidiaries and associates are transferred to the net revaluation reserve according to the equity method where the carrying amount exceeds the acquisition cost.

Dividend received is deduced from the carrying amount.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

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

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables 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 present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Work in progress for third parties

Contract work in progress for third parties are measured at the market value of the work performed less progress billings. The market value is calculated based on the stage of completion at the balance sheet date and the total expected income from the relevant contract. The stage of completion is calculated based on the expenses incurred relative to the expected total expenses relating to the relevant contract.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Where the outcome of contract work in progress cannot be estimated reliably, the market value is measured at the lower of expenses incurred and the net realisable value.

Where the total expenses relating to the work in progress are expected to exceed the total market value, the expected loss is recognised as a loss-making agreement under "Provisions" and is expensed in the income statement.

The value of work in progress less progress billings is classified as assets when the selling price exceeds progress billings and as liabilities when progress billings exceed the market value.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Equity

Reserve for net revaluation according to the equity method

The net revaluation reserve according to the equity method includes net revaluations of investments in subsidiaries relative to cost. 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.

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividends or cover losses. The reserve will be reduced or dissolved if the recognised development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Corporation tax and deferred tax

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

Deferred tax is measured according to the 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.

Deferred tax assets 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. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

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. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Lease liabilities

Leases for non-current assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are initially recognised in the balance sheet at cost, corresponding to the lower of fair value and the net present value of furtue lease payments. In calculating the net present value of the future lease payments, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Company's other non-current assets.

The capitalised residual lease obligation is recognised in the balance sheet as the liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

All other leases are considered operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed in contingencies, etc.

Cash flow statement

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

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.

Cash flow related to acquisitions and disposals of businesses are presented separately in cash flows from investing activities. Cash flows from acquisitions of businesses are recognised up until the date of acquisition, and disposals of businesses are recognised up until the date of disposal.

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non cash operating items, changes in working capital and paid corporate income tax.

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

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

Cash and cash equivalents comprise cash in hand and bank overdrafts.

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios.

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

Equity ratio $\dfrac{\text{Equity, year-end x 100}}{\text{Total equity and liabilities, year-end}}$

Return on equity $\dfrac{\text{Profit/loss for the year after tax x 100}}{\text{Average equity}}$

Financial statements 1 January - 31 December

Notes to the financial statements

2 Capital resources

The Company is primarily financed with a bank overdraft facility as at 31 December 2017. Together with the positive cash flow in the 2018 budget, it is Management's assessment that the use of going concern assumption is reasonable. If the budgeted 2018 results are not met there could be a need to find additional capital resources or renegotiate terms on the overdraft facility.

	DKK'000	2017	2016
3	**Staff costs**		
	Wages/salaries	36,151	46,713
	Pensions	2,891	3,527
	Other social security costs	155	391
	Other staff costs	453	305
		39,650	50,936
	Average number of full-time employees	67	86

Remuneration to members of management:

Total remuneration to the Executive Board and the Board of Directors amount to DKK 2,533 thousand (2016: DKK 1,455 thousand.) During 2017 there have been two persons in the company's Executive Board. During 2016 there was only one person in the company's Executive Board.

Remuneration of the management group is partial by results.

		2017	2016
4	**Financial expenses**		
	Interest expenses, group entities	0	376
	Other financial expenses	1,644	1,230
		1,644	1,606
5	**Tax for the year**		
	Estimated tax charge for the year	-48	0
	Deferred tax adjustments in the year	-4,980	-2,776
	Tax adjustments, prior years	-32	0
		-5,060	-2,776

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6 Intangible assets

DKK'000	Completed development projects	Acquired intangible assets	Development projects in progress	Total
Cost at 1 January 2017	9,418	1,139	0	10,557
Additions in the year	194	139	2,517	2,850
Cost at 31 December 2017	9,612	1,278	2,517	13,407
Impairment losses and amortisation at 1 January 2017	5,001	567	0	5,568
Amortisation/depreciation in the year	1,126	175	0	1,301
Impairment losses and amortisation at 31 December 2017	6,127	742	0	6,869
Carrying amount at 31 December 2017	3,485	536	2,517	6,538

7 Property, plant and equipment

DKK'000	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2017	47,515	5,729	53,244
Additions in the year	1,033	0	1,033
Disposals in the year	-6,351	-447	-6,798
Cost at 31 December 2017	42,197	5,282	47,479
Impairment losses and depreciation at 1 January 2017	23,008	4,301	27,309
Amortisation/depreciation in the year	7,626	666	8,292
Reversal of amortisation/depreciation and impairment of disposals	-5,619	-372	-5,991
Impairment losses and depreciation at 31 December 2017	25,015	4,595	29,610
Carrying amount at 31 December 2017	17,182	687	17,869
Property, plant and equipment include finance leases with a carrying amount totalling	3,631	0	3,631

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8 Investments

DKK'000	Investments in group entities, net asset value	Other receivables	Total
Cost at 1 January 2017	230	570	800
Disposals in the year	-40	-5	-45
Cost at 31 December 2017	190	565	755
Value adjustments at 1 January 2017	480	0	480
Exchange adjustment	-17	0	-17
Share of the profit/loss for the year	-57	0	-57
Other adjustments, investments	40	0	40
Value adjustments at 31 December 2017	446	0	446
Carrying amount at 31 December 2017	636	565	1,201

Name	Domicile	Interest
Subsidiaries		
SubCPartner UK Ltd	England	100.00%
SubCParnter Deutschland GmbH	Germany	100.00%

DKK'000	2017	2016
9 **Work in progress for third parties**		
Selling price of work performed	11,602	32,642
Progress billings	-7,900	-27,274
	3,702	5,368
recognised as follows:		
Work in progress for third parties (assets)	4,884	5,442
Work in progress for third parties (liabilities)	-1,182	-74
	3,702	5,368

10 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including insurance, plocies, rent, staffhealthcare and subscriptopns.

11 Share capital

The share capital comprises 500,000 shares of DKK 1 each. All shares rank equally

Analysis of changes in the share capital over the past 5 years:

DKK'000	2017	2016	2015	2014	2013
Opening balance	500	500	500	500	255
Capital increase	0	0	0	0	245
	500	500	500	500	500

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12 Non-current liabilities other than provisions

DKK'000	Total debt at 31/12 2017	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Lease liabilities	4,281	1,230	3,051	0
	4,281	1,230	3,051	0

DKK'000	2017	2016
13 Deferred tax		
Deferred tax at 1 January	-494	2,282
Deferred tax on profit for the year	-4,918	-2,776
Other deferred tax	-63	0
Deferred tax at 31 December	-5,475	-494

14 Mortgage debt and debt to other credit institutions

The Company has provided a company charge of DKK 39,000 thousand as collateral for bank loans, etc. of DKK 32,386 thousand. The company charge comprises unsecured claims, inventories, property, plant and equipment and intangible assets with a carrying amount of DKK 39,850 thousand at 31 December 2017.

Fixtures and fittings, other plant and equipment with a carrying amount of DKK 3,631 thousand at 31 December 2017, see note 6, have been financed by finance leases, representing DKK 4,281 thousand at 31 December 2017.

15 Contractual obligations and contingencies, etc.

Contingent liabilities

The parent company is jointly taxed with the ultimate parent company. The companies included in the joint taxation have joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties.

Other financial obligations

The Company has entered into leases with a combined lease payment of DKK 2,534 thousand. The remaining term of the leases is 3-48 months.

16 Off-balance sheet arrangements

The Company has the following, non-recognised arrangements:

Nature and commercial purpose

The company has issued warrants, which enables the owner right to subscribe shares amounting to nom. DKK 39 thousand in the company until 13 June 2019. The subscription price will be set at fair value at the time of date of issue.

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17 Related parties

SubC Partner A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Parent company SubCParnter Holding ApS	Kogade 1A, 6700 Esbjerg	Shareholding
Ultimate parent company LDETRE Holding 14 ApS	Gammeltorv 18, 1457 København K	Shareholding

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
LDETRE Holding 14 ApS	Gammeltorv 18, 1457 København K	The Danish Business Authority

Related party transactions

The Company solely discloses related party transactions that have not been carried out on an arm's length basis, cf. section 98c(7) of the Danish Financial Statements Act.

All transactions have been carried out on an arm's length basis.

Ownership

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

Name	Domicile
SubCpartner Holding ApS	Kogade 1A, 6700 Esbjerg
LDETRE Holding 14 ApS	Gammeltorv 18, 1457 København K

	DKK'000	2017	2016
18	**Appropriation of profit/loss**		
	Recommended appropriation of profit/loss		
	Net revaluation reserve according to the equity method	-17	17
	Reserve for development costs	1,760	1,549
	Retained earnings/accumulated loss	-19,618	-11,810
		-17,875	-10,244
19	**Adjustments**		
	Amortisation/depreciation and impairment losses	9,593	9,004
	Gain/loss on the sale of non-current assets	-566	-168
	Income from investments in group entities	57	-17
	Financial income	-76	-26
	Financial expenses	1,644	1,606
	Tax for the year	-5,060	-2,776
		5,592	7,623

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	DKK'000	2017	2016
20	**Changes in working capital**		
	Change in inventories	1,016	-375
	Change in receivables	4,401	11,468
	Change in trade and other payables	1,642	-1,707
		7,059	9,386
21	**Cash and cash equivalents at year-end**		
	Cash according to the balance sheet	41	1,046
	Short-term debt to banks	-32,386	-23,397
		-32,345	-22,351