

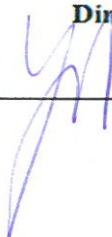
LDETRE Holding 14 ApS

Annual report 2016

GAMMELTORV 18 ■ 1457 KØBENHAVN K ■ CVR.nr. 30 71 99 21

Årsrapporten er fremlagt og godkendt på
selskabets ordinære generalforsamling
den 1/6 2017

Dirigent



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Statement by the Executive Board on the annual report

Today, the Executive Board have discussed and approved the annual report of LDETRE Holding 14 ApS for the financial year 1 January – 31 December 2016.

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

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

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

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

Copenhagen, 30 may 2017
Executive Board:



Jan Hove Sørensen



Kasper Skovgaard Kristensen

Independent auditor's report

To the shareholders of LDETRE Holding 14 ApS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of LDETRE Holding 14 ApS for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for both the Group and the Parent Company, as well as a consolidated cash flow statement. The consolidated financial statements and the 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 financial position of the Group and the Parent Company at 31 December 2016 and of the results of the Group's and Parent Company's operations as well as the 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 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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the 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 as 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.

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 Parent 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 about 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 additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent company financial statements.

Independent auditor's report

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

- ▶ Identify and assess the risks of material misstatement of the 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 conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent 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.

Independent auditor's report

Based on our procedures, 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, 30 may 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Per Gunslev
State Authorised
Public Accountant

Management's review

Company details

Name	LDETRE Holding 14 ApS
Address, zip code, city	Gammelton 18, 1457 København K
CVR no.	30 71 99 21
Established	12 July 2007
Registered office	Copenhagen
Financial year	1 January - 31 December
Executive Board	Jan Hove Sørensen Kasper Skovgaard Kristensen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, 2000 Frederiksberg
Consolidated financial statements	LDETRE Holding 14 ApS is the parent company for SubC Partner AS. LDETRE Holding 14 ApS is owned by LD Equity 3 K/S

Management's review

Financial highlights for the Group

DKK'000	2016	2015	2014	2013	2012*
Key figures					
Gross margin	49,450	76,906	79,711	66,416	46,633
Ordinary operating profit/loss	-14,704	7,905	12,190	6,123	22,438
Financial income and expenses	-1,379	-946	-1,090	-2,798	-1,684
Profit/loss for the year after non-controlling interest share	-8,674	1,268	2,798	892	7,610
Total assets					
Equity excl. non-controlling interest	29,179	37,907	44,105	41,294	23,461
Cash flows					
Cash flows from operating activities	3,645	16,403	28,631	-10,424	29,066
Cash flows from investing activities	-9,568	-17,393	-7,079	-10,310	-36,238
Portion relating to investments in items of property, plant and equipment	-7,899	-15,071	-7,430	-10,877	-3,773
Cash flows from financing activities	5,232	-11,566	-942	8,151	10,836
Total cash flows	-691	-12,556	20,610	-12,583	3,663
Financial ratios					
Return on invested capital	-19.0%	8.6%	12.9%	6.1%	18.4%
Solvency ratio	37.7%	41.0%	46.6%	41.3%	19.2%
Return on equity	-25.9%	3.1%	6.6%	2.8%	64.6%
Average number of full-time employees	87	100	104	82	56

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

* The Group's activity started at 13 June 2012 by purchase of the majority of shares in SubC Partner A/S. The key figures for 2012 comprise activity for 6 ½ months.

Management's review

Operating review

Principal activities of the Group

LDETR Holding 14 ApS invested in SubC Partner at 13 June 2012. The SubC Partner Group 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 operations/ installations.

Development in activities and financial position

Loss after tax amounted to DKK 8,674 thousand compared to a profit of DKK 1,268 thousand last year. The activity and the result for the year were lower than the expected level, and Management considers the result for the year to be non-satisfactory.

The operating cash flows for 2016 amounted to DKK 3,645 thousand, which Management considers to be non-satisfactory.

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

Outlook

The market activity in the offshore oil/gas industry in Denmark is expected to pick up in 2017 due to the "North Sea Agreement". The market for the offshore wind industry is expected to be on level with 2016. The SubC Partner group operates on both market segments, and the development in both markets are therefore important for the results in 2017. Based on the unsatisfactory development in 2016, the Group has taken various measures in order to adapt to the current situation in both markets. Since the market, activity is currently low however higher than 2016, the Group expects to grow revenue and secure positive earnings in 2017.

Events after the balance sheet date

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

Particular risks

General risks

LDETR Holding 14 ApS' principal activity is investing in portfolio companies. Therefore, a substantial risk factor is changes in the value of the SubC Partner-Group.

The offshore wind industry and the oil and gas industries are characterised by a cyclical level of activity. Furthermore, the activity level is highly influenced by political discussions and legislation. The activities in the Group are spread across a number of business areas, reducing dependence of individual segments. It is also essential to the Group to be ahead of the technological development within all business areas.

Financial risks

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

The ongoing operations are exposed to currency exchange risks. The Group 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.

Management's review

Operating review

Intellectual capital

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

In addition, the Group owns worldwide Intellectual Property Rights.

Influence on external environment

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

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

Research and development activities

The development activities are made in the Parent Company and include new welding procedures and technical solutions within subsea activities.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Income statement

Note	DKK'000	Consolidated		Parent company	
		2016	2015	2016	2015
	Gross margin	49,450	76,906	-64	-20
2	Staff costs	-52,121	-59,408	0	0
3/4	Depreciation on property, plant and equipment, amortisation of intangible assets and impairment losses	-12,201	-9,757	0	0
	Other operating income	168	164	0	0
	Ordinary operating profit	-14,704	7,905	-64	-20
5	Results from investments in subsidiaries	0	0	-8,401	6,050
6	Financial income	49	31	227	1
7	Financial expenses	-1,428	-977	-24	-2
	Profit/loss before tax	-16,083	6,959	-8,262	6,029
8	Tax on profit/loss for the year	2,799	-2,031	5	0
	Profit/loss for the year	-13,284	4,928	-8,257	6,029
	Non-controlling interests	4,610	-3,660	0	0
		-8,674	1,268	-8,257	6,029

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

Note	DKK'000	Consolidated		Parent company	
		2016	2015	2016	2015
		ASSETS			
		Non-current assets			
3	Intangible assets				
	Completed development projects	4,417	3,367	0	0
	Intangible assets acquired	571	738	0	0
	Goodwill	17,508	20,692	0	0
		<u>22,496</u>	<u>24,797</u>	<u>0</u>	<u>0</u>
4	Property, plant and equipment				
	Leasehold improvements	1,428	2,558	0	0
	Fixtures and fittings, tools and equipment	24,510	23,544	0	0
		<u>25,938</u>	<u>26,102</u>	<u>0</u>	<u>0</u>
	Financial assets				
9	Investments in subsidiaries	0	0	20,000	32,526
9	Receivables from subsidiaries	0	0	4,332	0
		<u>0</u>	<u>0</u>	<u>24,332</u>	<u>32,526</u>
	Total non-current assets	<u>48,434</u>	<u>50,899</u>	<u>24,332</u>	<u>32,526</u>
	Current assets				
	Inventories	8,363	7,988	0	0
	Receivables				
	Trade receivables	10,707	20,882	0	0
10	Contract work in progress	5,442	5,586	0	0
12	Deferred tax assets	518	0	0	0
	Other receivables	1,304	2,200	0	0
11	Prepayments	1,362	1,690	0	0
		<u>19,333</u>	<u>30,358</u>	<u>0</u>	<u>0</u>
	Cash	<u>1,326</u>	<u>3,168</u>	<u>255</u>	<u>286</u>
	Total current assets	<u>29,022</u>	<u>41,514</u>	<u>255</u>	<u>286</u>
	TOTAL ASSETS	<u>77,456</u>	<u>92,413</u>	<u>24,587</u>	<u>32,812</u>

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

Note	DKK' 000	Consolidated		Parent company	
		2016	2015	2016	2015
		EQUITY AND LIABILITIES			
		Equity			
		145	145	145	145
		1,549	0	0	0
		27,485	37,762	24,393	32,650
		29,179	37,907	24,538	32,795
13	Non-controlling interests	5,836	13,866	0	0
		Provisions			
12	Deferred tax	0	2,281	0	0
	Total provisions	0	2,281	0	0
		Liabilities other than provisions			
14	Non-current liabilities other than provisions				
	Lease liabilities	4,282	309	0	0
	Subordinate loan capital	3,544	0	0	0
		7,826	309	0	0
		Current liabilities other than provisions			
14	Current portion of non-current liabilities other than provisions	1,487	228	0	0
	Bank loans and overdrafts	23,397	24,548	0	0
10	Contract work in progress	74	126	0	0
	Trade payables	3,824	6,136	0	0
	Payables to group entities	49	0	0	0
	Income taxes payable	4	925	0	0
	Other payables	5,780	6,087	49	17
		34,615	38,050	49	17
	Total liabilities other than provisions	42,441	38,359	49	17
	TOTAL EQUITY AND LIABILITIES	77,456	92,413	24,587	32,812

- 1 Accounting policies
- 15 Mortgages and collateral
- 16 Contractual obligations and contingencies, etc.
- 17 Subscription right warrants
- 18 Appropriation of profit
- 19 Related party disclosures

Consolidated financial statements and parent company financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Consolidated			Total
	Share capital	Retained earnings	Reserve for development costs	
Equity at 1 January 2016	145	37,762	0	37,907
Foreign exchange adjustment	0	-54	0	-54
Profit/loss for the year	0	-10,223	1,549	-8,674
Equity at 31 December 2016	145	27,485	1,549	29,179

DKK'000	Parent company			Total
	Share capital	Retained earnings		
Equity at 1 January 2016	145	32,650		32,795
Foreign exchange adjustment	0	0		0
Profit/loss for the year, see profit appropriation (note 17)	0	-8,257		-8,257
Equity at 31 December 2016	145	24,393		24,538

Consolidated financial statements and parent company financial statements 1 January – 31 December

Cash flow statement

DKK'000	Consolidated	
	2016	2015
Profit/loss for the year	-13,284	4,928
Financial income and expenses	1,379	946
Tax on profit/loss for the year	-2,799	2,031
Profit/loss before financial income and expenses	-14,704	7,905
Exchange rate adjustment	-98	12
Depreciation and amortisation	12,201	9,757
Gains/losses on the disposal of plant and equipment	-168	-164
Changes in inventories	-376	389
Changes in receivables	11,491	9,220
Changes in trade payables	-1,679	-5,051
Cash generated from operations (operating activities)	6,667	22,068
Interest received	49	31
Interest paid	-1,259	-977
Income taxes paid	-1,812	-4,719
Cash flows from operating activities	3,645	16,403
Acquisition of intangible assets	-1,987	-2,875
Acquisition of property, plant and equipment	-7,899	-15,071
Disposal of property, plant and equipment	318	553
Cash flows from investing activities	-9,568	-17,393
Repayment of long-term debt	-665	-566
Paid dividends shareholders	0	-6,050
Paid dividends non-controlling interests	-3,375	-4,950
Subordinate loan capital	3,375	0
Lease liabilities	5,897	0
Cash flows from financing activities	5,232	-11,566
Net cash flows from operating, investing and financing activities	-691	-12,556
Cash and cash equivalents at 1 January	-21,380	-8,824
Cash and cash equivalents at 31 December	-22,071	-21,380
Cash and cash equivalents, cash flow statement		
Cash and cash equivalents according to the balance sheet	1,326	3,168
Short-term debt to banks	-23,397	-24,548
	-22,071	-21,380

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements and the parent company financial statements.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of LDETR Holding 14 ApS for 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class C mid-sized entities.

Effective 1 January 2016, the Company has adopted act no. 738 of 1 June 2015. This implies changes in the recognition and measurement in the following areas:

1. Yearly reassessment of residual values of property, plant and equipment
2. Reserve for development costs

Re 1: In future, residual values of property, plant and equipment are subject to annual reassessment.

Re 2: An amount corresponding to development costs recognised will, in future, be tied up in the consolidated equity in a special reserve under equity called "Reserve for development costs". The amount is tied up in a special reserve, which cannot be used to distribute dividend or cover losses. If the development costs recognised are sold or in some other way no longer form part of the Company's operations, the reserve will be dissolved or reduced by a transfer directly to distributable reserves under equity. If the recognised development costs are written down, part of the reserve for development costs must be reversed. The reversed portion corresponds to the impairment loss of the development costs. If a impairment loss of the development costs is subsequently reversed, the reserve for development costs must be re-established. The reserve for development costs is also reduced by amortisation charges. In doing so, the equity reserve will not exceed the amount recognised in the balance sheet as development costs.

None of the above changes impacts on the income statement or the balance sheet for 2016 or the comparative figures.

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

Reporting currency

The financial statements are presented in Danish kroner.

Consolidated financial statements

The consolidated financial statements comprise the Parent Company, LDETR Holding 14 ApS, and subsidiaries in which LDETR Holding 14 ApS directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on intra-group transactions are eliminated.

Entities acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' measured at equity value at the acquisition date.

Business combinations

Recently acquired or formed entities are recognised in the consolidated financial statements from the date of acquisition or formation. Entities sold or otherwise disposed of are recognised in the consolidated income statement until the date of disposal. Comparative figures are not restated in respect of recently acquired or sold entities.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Gains or losses on disposal of subsidiaries and associates are made up as the difference between the sales price and the carrying amount of net assets at the date of disposal plus non-amortised goodwill and anticipated selling costs.

Corporate acquisitions are accounted for using the purchase method according to which the acquired entity identifiable assets and liabilities are measured at fair value at the date of acquisition. Restructuring costs recognised in the acquired entity before the date of acquisition and not agreed as part of the acquisition are part of the acquisition balance sheet and, hence, the calculation of goodwill. Costs relating to restructuring decided by the acquiring entity must be recognised in the income statement. The tax effect of the restatement of assets and liabilities is taken into account.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill) is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset.

Negative differences (negative goodwill) are recognised as income in the income statement at the time of acquisition when the general revenue recognition criteria are met.

Goodwill and negative goodwill from acquired entities may be adjusted until the end of the year of acquisition.

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.

Non-controlling interests

From the consolidated profit/loss for the year and consolidated equity, the non-controlling interest's share of profit/loss for the year and equity is presented in separate financial item lines.

On initial recognition, non-controlling interests are measured at the fair value of the non-controlling interests' ownership share or at the non-controlling interests' proportionate share of the fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities. In the former scenario, goodwill relating to the non-controlling interests' ownership share in the acquired entity is thus recognised, while, in the latter scenario, goodwill relating to the non-controlling interests' ownership share is not recognised.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Foreign currency translation

Transactions denominated in foreign currencies are translated into Danish kroner at the exchange rates at the transaction date. Exchange rate differences arising between the exchange rate at the transaction date and the rate at the date of payment are recognised as a financial item in the income statement.

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

Revenue

Revenue is recognised in the income statement provided that delivery and transfer of risk to the buyer have taken place by the end of the year and that the income can be reliably measured and is expected to be received. Revenue is recognised ex. VAT and taxes charged on behalf of third parties.

Work in progress concerning customised production is recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (the percentage of completion method).

In compliance with section 32 of the Danish Financial Statements Act, the Company has decided not to specify its revenue. Gross margin contains revenue, cost of goods sold and other external expenses.

Other external costs

Other external costs include expenses related to distribution, sale, advertising, administration, premises, bad debts, lease payments under operating leases, etc.

Staff costs

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

Other operating income

Other operating income comprises items secondary to the entities' activities, including gains on disposal of intangible assets and property, plant and equipment.

Other operating costs

Other operating costs comprise items secondary to the entities' activities, including losses on disposal of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses comprise interest income and expenses, capital gains and losses on securities, payables and transactions denominated in foreign currencies and amortisation of financial assets and liabilities.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Results from investments in subsidiaries

The item includes dividend received from subsidiaries and impairment losses as a result of decrease in value.

Tax on profit/loss for the year

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

The Parent Company acts as management company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

On payment of joint taxation contributions, the Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

Balance sheet

Intangible assets

Intangible assets comprise development projects, other acquired rights and goodwill. Intangible assets are measured at cost less accumulated amortisation and impairment losses.

The estimated useful life of intangible assets is as follows:

Completed development projects	5-7 years
Intangible assets acquired	5-7 years
Goodwill	10 years

Development projects are recognised as assets provided that they are clearly defined and identifiable and that the below recognition criteria are observed:

- ▶ the technical feasibility of completing the project is evidenced
- ▶ it is the intention to produce, market or to use the product or the process
- ▶ the availability of adequate technical and financial resources and ability to complete the development project and to use or sell it
- ▶ it is probable that the project will result in future economic benefits and that a potential future market or possibilities of using the project internally in the Company are evidenced
- ▶ the cost can be reliably measured.

Development costs that do not qualify for capitalisation, are recognised as cost in the income statement as incurred.

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period, which is 10 years. The amortisation period is fixed on the basis of the expected market positions and long-term earnings profiles of acquired business enterprises.

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Notes

1 Accounting policies (continued)

Property, plant and equipment

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

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

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

Leasehold improvements	5 years
Fixtures and fittings, tools and equipment	2-10 years

Leases

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 future 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 discount factor. Assets held under finance leases are subsequently depreciated as the Company's other non-current assets.

The capitalised residual lease liability is recognised in the balance sheet as a 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 liabilities relating to operating leases and other leases are disclosed in contingencies, etc.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Impairment losses are made to the recoverable amount if this is lower than the carrying amount.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment as well as investments in subsidiaries is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Impairment losses are made to the recoverable amount if this is lower than the carrying 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 determined 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.

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1 Accounting policies (continued)

Inventories

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

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

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

Receivables

Receivables are measured at amortised cost. Impairment losses to net realisable value is made for expected losses.

An impairment loss is made for bad debt losses where 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 made based on an individual assessment.

Contract work in progress

Work in progress (customised orders) is measured at the selling price of the work performed; less any payments received on account from the customer and expected losses.

The selling price is measured by reference to the stage of completion at the balance sheet date and the total expected income from the contract. The stage of completion is determined on the basis of an estimate of the work, usually calculated as the ratio between the costs incurred and the total estimated costs of the order or hours worked and the total estimated hours worked for that order.

When the selling price of an individual order cannot be measured reliably, the selling price is measured at the lower of costs incurred and net realisable value.

Individual contracts are recognised in the balance sheet under either receivables or payables depending on the net value of the selling price less progress billings and prepayments.

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

Prepayments, assets

Prepayments comprise expenses incurred concerning subsequent financial years.

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Notes

1 Accounting policies (continued)

Equity

Reserve for development costs

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

Proposed dividends

Dividends proposed for the financial year are presented as a separate item under equity.

Income tax and deferred tax

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

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

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

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

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

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the 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 obligation on finance leases.

Other liabilities are measured at net realisable value.

Subordinate loan capital

Liabilities where the creditors have stated they are willing to subordinate their claim to rank after all the entity's other creditors are presented as subordinate loan capital. Subordinate loan capital is recognised using the same method as applies to liabilities.

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1 Accounting policies (continued)

Cash flow statement

The cash flow statement shows the Group'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 Group's cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and disposals of entities is shown separately in cash flows from investing activities. Cash flows from acquisitions of entities are recognised up until the date of acquisition, and disposals of entities are recognised up until the date of disposal.

In accordance with section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared for the parent company as the Company's cash flow statement is included in the consolidated cash flow statement.

Cash flows from operating activities

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

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities and of acquisitions and disposals of non-current assets.

Cash flows from financing activities

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

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank overdrafts.

Financial ratios

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 stated in the survey of financial highlights have been calculated as follows:

Return on invested capital	$\frac{\text{Ordinary operating profit} \times 100}{\text{Total assets at year end}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit from ordinary activities after tax} \times 100}{\text{Average equity}}$

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DKK'000	Consolidated		Parent company	
	2016	2015	2016	2015
2 Staff costs and incentive programmes				
Wages and salaries	47,706	53,940	0	0
Pensions	3,583	4,370	0	0
Other social security costs	456	688	0	0
Other staff costs	376	410	0	0
	<u>52,121</u>	<u>59,408</u>	<u>0</u>	<u>0</u>
Remuneration and pensions of the Executive Board	0	0	0	0
Average number of full-time employees	87	100	0	0

3 Intangible assets

DKK'000	Consolidated			Total
	Goodwill	Completed development projects	Intangible assets acquired	
Cost at 1 January 2016	31,836	7,431	1,139	40,406
Additions during the year	0	1,987	0	1,987
Disposals during the year	0	0	0	0
Cost at 31 December 2016	<u>31,836</u>	<u>9,418</u>	<u>1,139</u>	<u>42,393</u>
Amortisation at 1 January 2016	11,144	4,064	401	15,609
Amortisation	3,184	937	167	4,288
Amortisation at 31 December 2016	<u>14,328</u>	<u>5,001</u>	<u>568</u>	<u>19,897</u>
Carrying amount at 31 December 2016	<u>17,508</u>	<u>4,417</u>	<u>571</u>	<u>22,496</u>

4 Property, plant and equipment

DKK'000	Consolidated		
	Fixtures and fittings, other plant and equip.	Leasehold improvements	Total
Cost at 1 January 2016	46,330	6,217	52,547
Additions	7,897	2	7,899
Disposals	-6,655	-490	-7,145
Cost at 31 December 2016	<u>47,572</u>	<u>5,729</u>	<u>53,301</u>
Depreciation at 1 January 2016	22,523	3,659	26,182
Depreciation	7,194	719	7,913
Depreciation on disposals	-6,655	-77	-6,732
Depreciation at 31 December 2016	<u>23,062</u>	<u>4,301</u>	<u>27,363</u>
Carrying amount at 31 December 2016	<u>24,510</u>	<u>1,428</u>	<u>25,938</u>
Thereof carrying amount of assets held under finance leases	5,053	0	5,053

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DKK'000	Consolidated		Parent company	
	2016	2015	2016	2015
5 Results from investments in subsidiaries				
Dividend from subsidiaries	0	0	4.125	6,050
Impairment losses	0	0	-12.526	0
	<u>0</u>	<u>0</u>	<u>-8.401</u>	<u>6,050</u>
6 Financial income				
Interest income from subsidiaries	0	0	206	0
Other financial income	49	31	21	1
	<u>49</u>	<u>31</u>	<u>227</u>	<u>1</u>
7 Financial expenses				
Interest expenses to non-controlling interests	169	0	0	0
Other financial expenses	1,259	977	24	2
	<u>1,428</u>	<u>977</u>	<u>24</u>	<u>2</u>
8 Tax on profit/loss for the year				
Adjustment of deferred tax	-2,799	-1,781	0	0
Adjustments to previous year	1	738	0	0
Current tax for the year	-1	3,074	-5	0
	<u>-2,799</u>	<u>2,031</u>	<u>-5</u>	<u>0</u>

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DKK'000	Parent company	
	2016	2015
9 Investments in subsidiaries		
Cost at 1 January	32,526	32,526
Additions	0	0
Disposals	0	0
Cost at 31 December	32,526	32,526
Value adjustments at 1 January	0	0
Impairment losses	-12,526	0
Value adjustments at 31 December	-12,526	0
Carrying amount at 31 December	20,000	32,526

Name and registered office	Voting rights and ownership	Equity*	Profit/loss for the year*
SubC Partner A/S	55%	12,970	-10,244
*cf. annual report 2016.			

There is no specific repayment plan for the receivables from subsidiaries, but it has been agreed that it will be paid out when SubC Partner A/S' solvency ratio allows for this.

DKK'000	Consolidated		Parent company	
	2016	2015	2016	2015
10 Contract work in progress				
Selling price of work performed	32,642	37,212	0	0
Progress billings	-27,274	-31,752	0	0
	5,368	5,460	0	0
recognised as follows:				
Contract work in progress (assets)	5,442	5,586	0	0
Contract work in progress (liabilities)	-74	-126	0	0
	5,368	5,460	0	0

11 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including insurance policies, rent, staff healthcare and subscriptions.

12 Deferred tax

Deferred tax at 1 January	2,281	4,062	0	0
Deferred tax on profit/loss for the year	-2,799	-1,781	0	0
Deferred tax at 31 December	-518	2,281	0	0

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DKK'000	Consolidated		Parent company	
	2016	2015	2016	2015
13 Non-controlling interests				
Non-controlling interests at 1 January	13,866	13,729	0	0
Adjustments from group capital regarding previous years	0	1,423	0	0
Dividend distribution	-3,375	-4,950	0	0
Exchange rate adjustments	-45	4	0	0
Proportion of profit/loss for the year	-4,610	3,660	0	0
Non-controlling interests at 31 December	5,836	13,866	0	0
14 Non-current liabilities				
DKK'000	Falling due between 1 and 5 years	Falling due after more than 5 years	Total non-current liabilities at 31 December 2016	Current portion of non-current liabilities other than provisions
Consolidated				
Lease obligations	5,769	0	5,769	1,487
Subordinate loan capital	7,876	0	7,876	0
	13,645	0	13,645	1,487
Parent company				
Lease obligations	0	0	0	0
Subordinate loan capital	0	0	0	0
	0	0	0	0

There is no specific repayment plan for the subordinate loan capital, but it has been agreed that it will be paid out when SubC Partner A/S' solvency ratio allows for this.

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15 Mortgages and collateral

Consolidated

The Group has provided a company charge of DKK 39,000 thousand as collateral for bank loans, etc. of DKK 23,397 thousand. The company charge comprises unsecured claims, inventories, property, plant and equipment and intangible assets with a carrying amount of DKK 50,311 thousand at 31 December 2016.

Fixtures and fittings, other plant and equipment with a carrying amount of DKK 5,053 thousand at 31 December 2016, see note 7, have been financed by finance leases, representing DKK 5,769 thousand at 31 December 2016.

Bank deposits of DKK 1,050 thousand has been pledged as security for maximum performance bond guarantees of DKK 30,000 thousand of which DKK 2,382 thousand are used as at 31 December 2016.

Parent company

No mortgages and collateral

16 Contractual obligations and contingencies, etc.

Consolidated

The Group has entered into leases with a combined lease payment of DKK 6,171 thousand. The remaining term of the leases is 3-48 months.

Parent Company

The Parent Company is jointly taxed with its Danish subsidiary. As management company, the Company has joint and several unlimited liability, together with the subsidiary, for all Danish income taxes and withholding taxes on dividend, interest and royalties within the group of jointly taxed entities.

17 Subscription right warrants

The Group has issued warrants, which enables the owner right to subscribe shares amounting to nominal DKK 39 thousand in SubC Partner A/S until 13 June 2019. The subscription price will be set at fair value at the time of date of issue.

DKK'000	Parent company	
	2016	2015
18 Appropriation of profit/loss		
Recommended appropriation of profit/loss		
Extraordinary dividends	0	6,050
Retained earnings	-8,257	-21
	<u>-8,257</u>	<u>6,029</u>

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19 Related parties

Parent Company

LDETRE Holding 14 ApS' related parties comprise the following:

Related parties exercising control

Related parties	Address/registered office	Basis for exercising control
Ultimate parent company LD Equity 3 K/S	Langelinie Allé 35, 2100 Copenhagen Ø	Shareholding

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:

LD Equity 3 K/S.