

## **Unisense A/S**

Tueager 1

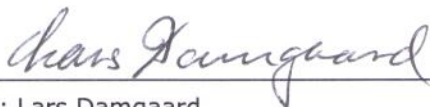
8200 Aarhus N

Central Business Registration No  
33762593

## **Annual report 2016**

The Annual General Meeting adopted the annual report on 04.05.2017

### **Chairman of the General Meeting**



Name: Lars Damgaard

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## Entity details

### Entity

Unisense A/S

Tueager 1

8200 Aarhus N

Central Business Registration No: 33762593

Registered in: Aarhus

Financial year: 01.01.2016 - 31.12.2016

### Board of Directors

Carl Erik Skovgaard Sørensen

Flemming Besenbacher

Lars Rabe Tønnesen

Michael Gustav Brock

Ole Pedersen

### Executive Board

Niels Christian Buur

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

## Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Unisense A/S for the financial year 01.01.2016 - 31.12.2016.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Aarhus, 06.03.2017

### Executive Board

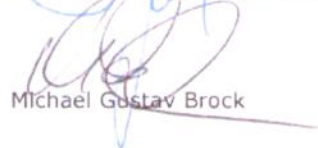


Niels Christian Buur


### Board of Directors



Carl Erik Skovgaard Sørensen



Michael Gustav Brock



Flemming Besenbacher

Ole Pedersen



Lars Rabe Tønnesen

## Independent auditor's report

### To the shareholders of Unisense A/S

#### Opinion

We have audited the financial statements of Unisense A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including 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 Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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:



## Independent auditor's report

- 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

## Independent auditor's report

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aarhus, 06.03.2017

### **Deloitte**

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556



Klaus Tvede-Jensen

State Authorised Public Accountant



Jens Lauridsen

State Authorised Public Accountant

## Management commentary

### Primary activities

The Company's primary activities are manufacturing of equipment for measurement, testing, navigation and control, as well as manufacturing of other electronic equipment and components

### Development in activities and finances

The sale of sensor systems to bio-geochemists was kept on the same level as last year, which had a sharp 19% growth in net turnover. The result of direct business activities before depreciation, amortization and impairment losses was DKK 3,043,969, and operating profit was DKK 804,243. Investment in daughter companies Unisense Environment A/S and Unisense Diagnostics ApS created a loss of DKK (1,745,232). Total loss of the year was DKK (1,526,140)

The company continued its focus on expanding its business from the strong market position in the scientific and research sensor market and into the much larger industrial sensor market. As the world moves into the age of big data and predictive analytics, access to fast, precise and reliable data from inline sensor systems applications is deemed to be a central prerequisite. The company is determined to gain a strong position within several industrial sensor applications, so it continued its development of new industrial microsensors, and on the same time it conducted field tests and engaged in discussions with future industrial partners during the year, preparing for the future market launch.

A positive financial result is expected for the coming financial year.

### Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.



## Income statement for 2016

	Notes	2016 DKK	2015 DKK
<b>Gross profit</b>		<b>12.905.145</b>	<b>14.042.719</b>
Staff costs	1	(9.861.176)	(9.097.708)
Depreciation, amortisation and impairment losses	2	(2.239.726)	(2.099.613)
<b>Operating profit/loss</b>		<b>804.243</b>	<b>2.845.398</b>
Income from investments in group enterprises		(1.745.232)	(3.027.482)
Other financial income		259.746	549.269
Financial expenses from group enterprises		(130.817)	(126.839)
Other financial expenses		(155.467)	(167.408)
<b>Profit/loss before tax</b>		<b>(967.527)</b>	<b>72.938</b>
Tax on profit/loss for the year	3	(558.613)	(1.151.125)
<b>Profit/loss for the year</b>		<b>(1.526.140)</b>	<b>(1.078.187)</b>
<b>Proposed distribution of profit/loss</b>			
Retained earnings		(1.526.140)	(1.078.187)
		<b>(1.526.140)</b>	<b>(1.078.187)</b>

## Balance sheet at 31.12.2016

	Notes	2016 DKK	2015 DKK
Acquired patents		27.255	38.936
Goodwill		7.191.857	8.989.822
Development projects in progress		1.817.452	416.454
<b>Intangible assets</b>	4	<b>9.036.564</b>	<b>9.445.212</b>
Plant and machinery		582.987	470.868
Other fixtures and fittings, tools and equipment		358.687	84.433
Leasehold improvements		266.616	324.978
<b>Property, plant and equipment</b>	5	<b>1.208.290</b>	<b>880.279</b>
Investments in group enterprises		63.424	75.219
Other receivables		418.115	397.783
<b>Fixed asset investments</b>	6	<b>481.539</b>	<b>473.002</b>
<b>Fixed assets</b>		<b>10.726.393</b>	<b>10.798.493</b>
Raw materials and consumables		1.965.028	1.132.084
Manufactured goods and goods for resale		2.118.877	3.324.026
<b>Inventories</b>		<b>4.083.905</b>	<b>4.456.110</b>
Trade receivables		2.617.071	1.833.351
Receivables from group enterprises		1.123.563	2.997.702
Other receivables		504.469	801.854
Prepayments		208.516	154.598
<b>Receivables</b>		<b>4.453.619</b>	<b>5.787.505</b>
<b>Cash</b>		<b>2.947.690</b>	<b>3.785.901</b>
<b>Current assets</b>		<b>11.485.214</b>	<b>14.029.516</b>
<b>Assets</b>		<b>22.211.607</b>	<b>24.828.009</b>

## Balance sheet at 31.12.2016

	Notes	2016 DKK	2015 DKK
Contributed capital	7	2.158.300	2.158.300
Reserve for development expenditure		1.092.778	0
Retained earnings		8.643.099	11.262.017
<b>Equity</b>		<b>11.894.177</b>	<b>13.420.317</b>
Deferred tax		457.000	130.000
<b>Provisions</b>		<b>457.000</b>	<b>130.000</b>
Prepayments received from customers		1.261.070	2.098.922
Trade payables		1.458.074	1.423.233
Payables to group enterprises		4.345.567	4.196.861
Income tax payable		231.613	1.002.125
Other payables	8	2.564.106	2.556.551
<b>Current liabilities other than provisions</b>		<b>9.860.430</b>	<b>11.277.692</b>
<b>Liabilities other than provisions</b>		<b>9.860.430</b>	<b>11.277.692</b>
<b>Equity and liabilities</b>		<b>22.211.607</b>	<b>24.828.009</b>
Contingent liabilities	9		
Mortgages and securities	10		

## Statement of changes in equity for 2016

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	2.158.300	0	11.262.017	13.420.317
Profit/loss for the year	0	1.092.778	(2.618.918)	(1.526.140)
<b>Equity end of year</b>	<b>2.158.300</b>	<b>1.092.778</b>	<b>8.643.099</b>	<b>11.894.177</b>

## Notes

	<b>2016</b>	<b>2015</b>
	<b>DKK</b>	<b>DKK</b>
<b>1. Staff costs</b>		
Wages and salaries	9.685.511	8.568.975
Pension costs	516.001	472.440
Other social security costs	52.561	147.113
Other staff costs	(392.897)	(90.820)
	<b>9.861.176</b>	<b>9.097.708</b>
 Average number of employees	 <b>24</b>	
	<b>2016</b>	<b>2015</b>
	<b>DKK</b>	<b>DKK</b>
<b>2. Depreciation, amortisation and impairment losses</b>		
Amortisation of intangible assets	1.822.667	1.836.928
Depreciation of property, plant and equipment	417.059	312.442
Profit/loss from sale of intangible assets and property, plant and equipment	0	(49.757)
	<b>2.239.726</b>	<b>2.099.613</b>
	<b>2016</b>	<b>2015</b>
	<b>DKK</b>	<b>DKK</b>
<b>3. Tax on profit/loss for the year</b>		
Tax on current year taxable income	231.613	1.002.125
Change in deferred tax for the year	327.000	149.000
	<b>558.613</b>	<b>1.151.125</b>

## Notes

	Acquired patents DKK	Goodwill DKK	Develop- ment projects in progress DKK
<b>4. Intangible assets</b>			
Cost beginning of year	195.607	17.979.643	416.454
Additions	13.021	0	1.400.998
<b>Cost end of year</b>	<b>208.628</b>	<b>17.979.643</b>	<b>1.817.452</b>
Amortisation and impairment losses beginning of year	(156.671)	(8.989.821)	0
Impairment losses for the year	(24.702)	(1.797.965)	0
<b>Amortisation and impairment losses end of year</b>	<b>(181.373)</b>	<b>(10.787.786)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>27.255</b>	<b>7.191.857</b>	<b>1.817.452</b>

### Development projects in progress

In the DETECT project, we aim to develop a medical device for detection of various small molecules in blood samples. When the instruments have successfully passed the validation, we will seek commercialization of the instruments and reagent kits. The project is carried out in collaboration with Aarhus University Hospital, iNANO at Aarhus University and BioPorto. This project is supported by Innovationsfonden.

In another important project, we aim to develop a series of mass-produced industrial grade microsensors. Until now, microsensors have been handmade and inherently fragile. The industrial grade sensors will be robust and user-friendly, and still with the unique properties of microsensors. This project is supported by grants from funds from EU and from Denmark, and we will continue to apply for further grants. The research project is expected to end in the fall of 2017. During spring 2017, our application-specific development projects will be initiated.

We have demonstrated that our sensor technology has the potential to work in challenging environments and we are currently exploring its functionality in the various selected industrial applications.

In our application specific projects, we aim to develop and bring to market mass produced sensors for various industries, such as wastewater, biogas, oil etc. This work requires deep insight in the various industries and strong partner networks must be established. The application specific projects include detailed technical development of tailoring the technology to the requirements for the selected industrial applications, and therefore the project also has a strong focus on business development.



## Notes

	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improve- ments DKK
<b>5. Property, plant and equipment</b>			
Cost beginning of year	845.546	874.665	516.753
Additions	343.746	370.923	30.401
Disposals	0	(37.365)	0
<b>Cost end of year</b>	<b>1.189.292</b>	<b>1.208.223</b>	<b>547.154</b>
Depreciation and impairment losses beginning of the year	(374.678)	(790.232)	(191.775)
Reversal of impairment losses	0	37.365	0
Depreciation for the year	(231.627)	(96.669)	(88.763)
<b>Depreciation and impairment losses end of the year</b>	<b>(606.305)</b>	<b>(849.536)</b>	<b>(280.538)</b>
<b>Carrying amount end of year</b>	<b>582.987</b>	<b>358.687</b>	<b>266.616</b>
		Investments in group enterprises DKK	Other receivables DKK
<b>6. Fixed asset investments</b>			
Cost beginning of year		2.100.000	397.783
Additions		0	20.332
<b>Cost end of year</b>		<b>2.100.000</b>	<b>418.115</b>
Impairment losses beginning of year		(2.024.781)	0
Share of profit/loss for the year		(1.745.232)	0
Other adjustments		1.733.437	0
<b>Impairment losses end of year</b>		<b>(2.036.576)</b>	<b>0</b>
<b>Carrying amount end of year</b>		<b>63.424</b>	<b>418.115</b>

## Notes

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity inte- rest %</u>
Investments in group enterprises comprise:			
Unisense Environment A/S	Aarhus	A/S	100,0
Unisense Diagnostics ApS	Aarhus	ApS	66,7

	<u>Number</u>	<u>Nominal value DKK</u>
<b>7. Contributed capital</b>		
Shares	215.830	2.158.300
	<b>215.830</b>	<b>2.158.300</b>

A share option scheme has been established according to which a right to subscribe for up to 10,790 new shares in the Company, a total of DKK 107,900 nominal, is earned in the period from 2013 to 2016 provided certain objectives are met.

On the presentation of the annual report for 2016, a total right of subscription for 9,712 shares was earned.

The exercise period runs from the vesting time until 31 December 2019.

	<u>2016 DKK</u>	<u>2015 DKK</u>
<b>8. Other payables</b>		
Wages and salaries, personal income taxes, social security costs, etc payable	2.194.218	1.866.835
Other costs payable	369.888	689.716
	<b>2.564.106</b>	<b>2.556.551</b>

### 9. Contingent liabilities

The Company participates in a Danish joint taxation arrangement in which Unisense Holding 2 A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

## Notes

### **10. Mortgages and securities**

Bank debt has been secured by a deposited all-monies mortgage providing security in a floating charge of DKK 2,500k on the Company's intangible assets, plant and equipment, inventories as well as receivables.

The Company has provided security of a maximum of DKK 4m to the bank on the shares in Unisense Environment A/S.

The carrying amount of the charged shares amounts to DKK 0k.

## Accounting policies

### Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

As a consequence of amendments to the Danish Financial Statements Act, the accounting policies have been changed in the following areas:

### Development costs

As to development costs recognised in the balance sheet, an amount equal to the development costs recognised after 01.01.2016 is recognised in 'Reserve for development costs' under equity. The reserve is reduced by the current amortisation.

In accordance with the transitional provisions of the Danish Financial Statements Act, only in relation to development costs recognised for the first time or later than 01.01.2016 is an equivalent amount recognised in the item 'Reserve for development costs'.

### Effect of change in accounting policies

The changes in accounting policies have no monetary effect on assets, liabilities, the financial position and profit/loss.

Apart from the above policies, the annual report has been presented applying the same accounting policies as last year.

### Consolidated financial statements

Referring to section 110 of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

### Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.



## Accounting policies

### Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

### Income statement

#### Gross profit or loss

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

#### Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

#### Cost of sales

Cost of sales comprises costs of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

#### Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

#### Property costs

Property costs include costs incurred to operate the Entity's properties in the financial year, including repair and maintenance costs, property tax and electricity, water and heating, which are not charged directly from the lessee.

#### Staff costs

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

#### Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

## Accounting policies

### Income from investments in group enterprises

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

### Other financial income

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

### Financial expenses from group enterprises

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

### Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

### Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with the parent. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

### Balance sheet

#### Goodwill

Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. The amortisation period is usually ten years. However, in certain cases it may be up to 20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile if the longer amortisation period is considered to give a better reflection of the benefit from the relevant resources.

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

#### Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in



## Accounting policies

question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives of the assets. The amortisation period is 5 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, but over no more than 20 years.

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

### Property, plant and equipment

Plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Plant and machinery	3-5 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

### Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity

Group enterprises with negative equity are measured at DKK 0, and any receivables from these enterprises are written down by the Parent's share of such negative equity value if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

## Accounting policies

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

### Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

### Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

### Prepayments

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

### Cash

Cash comprises cash in hand and bank deposits.

### Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

### Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

### Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

### Income tax receivable or payable

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