TOPCAP API ApS

Sydvestvej 21, 2
2600 Glostrup

CVR no. 35 04 00 80

Annual report 2018

The annual report was presented and approved at the Company's annual general meeting on

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Michael Ries
chairman

Contents

Statement by the Executive Board

The Executive Board has today discussed and approved the annual report of TOPCAP API ApS for the financial year 1 January – 31 December 2018.

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 Group's and the Parent Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2018.

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, of the results for the year and of the Group's and the Parent Company's financial position.

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

Glostrup, 28 March 2019
Executive Board:

Jens Thøger Hansen	Ulrik Nicolai Jungersen	Erik Balleby Jensen

Independent auditor's report

To the shareholders of TOPCAP API ApS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of TOPCAP API ApS for the financial year 1 January – 31 December 2018 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the Parent Company and a cash flow statement for the Group. The consolidated financial statements and 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 Group's and the Parent Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the consolidated financial statements and the parent company financial statements

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

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made 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 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 consolidated financial statements and parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent company financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the consolidated financial statements or the parent company financial statements or our knowledge obtained during the audit, or otherwise appears to be

Independent auditor's report

materially misstated.

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

Based on the work we have performed, we conclude that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 28 March 2019
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Jette Kjær Bach
State Authorised
Public Accountant
mne19812

Management's review

Company details

TOPCAP API ApS
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2600 Glostrup

Telephone:	+45 43 48 99 00
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Website:	www.optiware.com
CVR no.:	35 04 00 80
Established:	12 February 2013
Registered office:	Glostrup
Financial year:	1 January – 31 December

Executive Board

Jens Thøger Hansen
Ulrik Nicolai Jungersen
Erik Balleby Jensen

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 Copenhagen

Annual general meeting

The annual general meeting will be held at the Company's address.

Management's review

Financial highlights for the Group

DKK'000	2018	2017	2016	2015	2014
Key figures					
Revenue	98,058	95,594	70,686	61,805	57,288
Gross profit	65,273	65,294	48,396	45,445	38,875
Ordinary operating profit	11,014	10,224	6,149	4,853	7,330
Profit/loss from financial income and expenses	-289	-811	-675	49	-1,037
Profit for the year	7,019	6,329	3,616	2,894	4,258
Total assets	167,126	158,187	155,981	115,230	113,603
Equity	84,153	77,599	72,406	78,118	67,079
Cash flows from operating activities	25,152	20,198	19,397	15,274	10,058
Cash flows from investing activities	-16,100	-13,198	-33,923	-7,665	-6,131
Cash flows from financing activities	-4,334	-5,049	13,642	-5,000	-6,000
Change in cash and cash equivalents for the year	4,718	1,951	-884	2,609	-2,073
Investment in property, plant and equipment	1,640	581	892	519	716
Ratios					
Gross margin	66.6%	68.3%	68.5%	73.5%	67.9%
Operating margin	11.2%	10.7%	8.7%	6.5%	12.8%
Return on equity	8.7%	8.4%	4.8%	4.0%	6.3%
Solvency ratio	50.4%	49.1%	46.4%	67.8%	59.0%
Return on assets	6.6%	6.8%	3.9%	4.2%	6.5%

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Ratios". The financial ratios have been calculated as follows:

Gross margin $$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$$

Operating margin $$\frac{\text{Operating profit/loss x 100}}{\text{Revenue}}$$

Return on equity $$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$$

Solvency ratio $$\frac{\text{Equity at year end x 100}}{\text{Total assets}}$$

Return on assets $$\frac{\text{Profit before financial items x 100}}{\text{Total assets}}$$

Management's review

Operating review

Main activities

The Company is the parent company of API maintenance Holding ApS.

The main activity of the company and the group is the development and worldwide sales of the software systems API PRO and AXXOS OEE including related services to be used by medium-sized and large manufacturing and utility companies for maintenance management and production monitoring and optimisation.

The main part of the company's revenue comes from international sales, mainly to north-west Europe. In addition to sales through own companies and offices the company cooperates with a number of international partners and distributors.

Development in the year

In April the new common brand OPTIWARE was launched. The new name describes in a better way the value proposition of the company of "Optimizing Industries".

During the year the first version of the new web client of API PRO was released.

The sales of the remaining shares to the local management in API China announced last year was executed and fully completed in 2018. The distribution of the OPTIWARE software products in China continues through a b-t-b partnership with API China. The revenue in API China is therefore no longer included in the financial result.

In 2018, the normalised revenue increased by 3% to DKK 98,058 thousand compared to 2017, and the profit before tax increased 14% to DKK 10,725 thousand i.e. without China in 2018. The balance sheet shows an equity of DKK 84,153 thousand.

The management considers the financial result for the year acceptable.

Subsequent events

For administrative reasons it was decided to close the Company's subsidiary in India. The closing will be executed during H1 2019. The staff in India (2) and Malaysia (2) will continue supporting partners and direct global sales and implementation from home offices.

Outlook

OPTIWARE's outlook for the future are positive. The global market for optimisation of productivity and Industry 4.0 is growing fast, and OPTIWARE is well positioned for this. A strong combination of the latest technology and a global presence and customer base brings the OPTIWARE platform at the forefront of the Industry 4.0 transition.

For 2019, the Company expects a higher revenue and profit than was reached for 2018.

Particular risks

The group's activities extend over a number of areas, each of which involve risks. The management identifies and manages risks within the group's business areas. Against this background, the company has identified the key risks in 2019 in terms of likelihood and impact.

Management's review

Operating review

Operating risks

A significant part of OPTIWARE’s revenue is recurring from Software as a Service (cloud computing) and support & maintenance agreements with customers, which helps to ensure OPTIWARE a steady and recurring income.

The ongoing development and release of new versions of the software helps to ensure OPTIWARE's consulting revenue.

Financial Risks

Interest-bearing debt is issued with a variable interest rate which exposes the group to risks from changes in interest rates. The group's debt is denominated in DKK, which is closely linked to EUR, and therefore the group has no significant currency risk here.

It is the group's policy to reduce currency risks by assessing the individual projects and markets for any hedging. The group's debtors and creditors are primarily traded in DKK, EUR and SEK. A natural hedging is primarily performed against exchange rate fluctuations through a balancing of income and expenditure in the single currency when this is found possible.

Intellectual Capital

OPTIWARE is a modern IT / software company that develops an innovative software platform for Industry 4.0 and Smart Manufacturing. As part of the retention of the knowledge and skills level interdisciplinary knowledge and broad application of knowledge sharing across the group is in focus.

Environmental matters

OPTIWARE continuously strives to reduce energy consumption by, among others, buying low-consumption IT equipment and lighting equipment. OPTIWARE also has sorting of waste and a bottle return system for plastic bottles designed to reduce the amount of waste that cannot be reused.

Research and Development Activities

It is an important competitive factor for OPTIWARE to be at the forefront of the technological development within Industry 4.0. A significant portion of the total costs are therefore used for research and development.

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

Income statement

		Group		Parent Company	
DKK'000	Note	2018	2017	2018	2017
Revenue		98,058	95,594	0	0
Cost of goods sold		-11,063	-10,556	0	0
Other operating income		0	85	0	0
Other external costs		-21,722	-19,829	-37	-14
Gross profit/loss		65,273	65,294	-37	-14
Staff costs	2	-40,290	-41,968	0	0
Depreciation, amortisation and impairment		-13,969	-13,102	0	0
Operating profit/loss		11,014	10,224	-37	-14
Financial income		540	850	0	0
Financial expenses		-829	-1,661	0	0
Profit/Loss before tax		10,725	9,413	-37	-14
Tax on profit/loss for the year	3	-3,093	-3,084	56	3
Profit/Loss from continuing operations		7,632	6,329	19	-11
Discontinued operations		-613	0	0	0
Share of profit/loss for the year	4	7,019	6,329	19	-11

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

Balance sheet

		Group		Parent Company	
DKK'000	Note	2018	2017	2018	2017
ASSETS					
Fixed assets					
Intangible assets	5				
Completed development projects		32,849	5,730	0	0
Goodwill		68,927	73,609	0	0
Software		6,270	8,360	0	0
Development projects in progress		1,090	21,640	0	0
		109,136	109,339	0	0
Property, plant and equipment	6				
Fixtures and fittings, tools and equipment		2,342	1,123	0	0
Leasehold improvements		42	74	0	0
		2,384	1,197	0	0
Investments	7				
Equity investments in group entities		0	0	60,035	60,035
Other receivables		273	253	0	0
		273	253	60,035	60,035
Total fixed assets		111,793	110,789	60,035	60,035
Current assets					
Inventories					
Raw materials and consumables		151	262	0	0
Receivables					
Trade receivables		37,571	32,970	0	0
Construction contracts		574	711	0	0
Other receivables		373	468	0	0
Corporation tax		0	0	8	2,484
Prepayments		2,576	1,533	0	0
		41,094	35,682	8	2,484
Cash at bank and in hand		14,088	11,454	18	21
Total current assets		55,333	47,398	26	2,505
TOTAL ASSETS		167,126	158,187	60,061	62,540

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

Balance sheet

DKK'000	Note	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
EQUITY AND LIABILITIES					
Equity					
Contributed capital		15,000	15,000	15,000	15,000
Reserve for development costs		25,622	21,640	0	0
Retained earnings		33,531	40,959	44,945	44,926
Proposed dividends for the financial year		10,000	0	0	0
Total equity		84,153	77,599	59,945	59,926
Non-controlling interests					
Non-controlling interests		16,380	16,980	0	0
Provisions					
Provisions for deferred tax		7,966	7,119	0	0
Total provisions		7,966	7,119	0	0
Liabilities other than provisions					
Non-current liabilities other than provisions	9				
Loans		0	5,500	0	0
Current liabilities other than provisions					
Current portion of non-current liabilities		9,000	7,500	0	0
Banks, current liabilities		0	2,084	0	0
Trade payables		4,074	3,554	25	14
Payables to group entities		0	0	78	2,600
Corporation tax		3,370	1,761	0	0
Other payables		16,886	17,211	13	0
Deferred income		25,297	18,879	0	0
		58,627	50,989	116	2,614
Total liabilities other than provisions		58,627	56,489	116	2,614
TOTAL EQUITY AND LIABILITIES		167,126	158,187	60,061	62,540

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

Statement of changes in equity

	Group					
DKK'000	Contributed capital	Reserve for development costs	Retained earnings	Proposed dividends for the financial year	Total	Non-controlling interests
Equity at 1 January 2018	15,000	21,640	40,959	0	77,599	16,980
Tax on other equity movements primo	0	-4,761	4,761	0	0	0
Adjustment of non controlling interest	0	0	0	0	0	0
Exchange adjustment	0	0	-397	0	-397	0
Transferred over the profit appropriation	0	11,209	-14,258	10,000	6,951	-600
Tax on other equity movements	0	-2,466	2,466	0	0	0
Equity at 31 December 2018	15,000	25,622	33,531	10,000	84,153	16,380

	Parent Company		
DKK'000	Contributed capital	Retained earnings	Total
Equity at 1 January 2018	15,000	44,926	59,926
Transferred over the profit appropriation	0	19	19
Equity at 31 December 2018	15,000	44,945	59,945

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

Cash flow statement

DKK'000	Note	Group 2018	Group 2017
Profit before tax		10,725	9,427
Depreciation, amortisation and impairment losses		13,969	13,102
Financial income and expenses		289	811
Other adjustments of non cash operating items		-224	-70
Cash flows from operations before changes in working capital		24,759	23,270
Changes in working capital	14	1,291	-640
Cash flows from ordinary activities		26,050	22,630
Interest income		540	850
Interest expense		-829	-1,661
Corporation tax paid		-609	-1,621
Cash flows from operating activities		25,152	20,198
Acquisition of intangible assets		-13,493	-12,579
Acquisition of property, plant and equipment		-1,640	-608
Disposal of subsidiaries and activities		-947	0
Changes in deposit		-20	-11
Cash flows from investing activities		-16,100	-13,198
External financing:			
Repayment on debt to credit institutions		-4,000	-5,000
Changes in payables to group entities		0	-49
Changes in non-controlling interests		-334	0
Cash flows from financing activities		-4,334	-5,049
Cash flows for the year		4,718	1,951
Cash and cash equivalents at the beginning of the year		9,370	7,419
Cash and cash equivalents at year end	15	14,088	9,370

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

Notes

1 Accounting policies

The annual report of TOPCAP API ApS for 2018 has been prepared in accordance with the provisions applying to reporting class C medium-sized under the Danish Financial Statements Act.

The accounting policies used in the preparation of the consolidated financial statements and parent company financial statements are consistent with those of last year, except for error relating to deferred tax of reserve for development cost DKK 4,761 thousand which has been reclassified on Equity primo from retained earnings. The reclassification has no impact on equity primo.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the Company and the value of the liability can be measured reliably.

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

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which evidence matters existing at the balance sheet date.

Consolidated financial statements

The consolidated financial statements comprise the Parent Company API Maintenance Systems A/S, and subsidiaries in which the Parent Company, directly or indirectly, holds more than 50% of the voting rights or otherwise has a controlling interest. Entities in which the Group holds between 20% and 50% of the voting rights and over which it exercises significant influence, but which it does not control, are considered associates.

On consolidation, intra-group income and expenses, holdings of shares, intra-group balances and dividends as well as realised and unrealised gains and losses on intra-group transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets and liabilities at the acquisition date.

Entities acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition. Entities disposed of are recognised in the consolidated income statement until the date of disposal. Comparative figures are not restated for acquisitions or disposals.

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

Notes

1 Accounting policies (continued)

Discontinued operations

Discontinued operations constitute a part of the Company if activities and cash flows can be separated from the Company's other activities and if, according to an overall plan, they are to be sold, discontinued or abandoned.

Income statement

Revenue

Revenue from the sale of maintenance systems and consultancy services is recognised in the income statement when the sale is considered effected based on the following criteria:

— delivery has been made before year end

— a binding sales agreement has been made

— the sales prices have been determined; and payment has been received or may with reasonable certainty be expected to be received.

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

Cost of sales

Cost of sales comprises costs incurred to generate revenue for the year. This item also comprises direct costs for goods for resale and changes to inventory of goods for resale.

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

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

Notes

1 Accounting policies (continued)

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Dividends from equity investments in group entities and associates measured at cost are recognised as income in the Parent Company's income statement in the financial year when the dividends are declared to the extent that the dividends exceed accumulated earnings after the acquistion date. Dividends are recognised as a reduction of the cost of the equity investment.

Tax on profit for the year

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

The Company is jointly taxed with wholly-owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to entities in proportion to their taxable incomes.

Balance sheet

Intangible assets

Development projects

Development costs comprise costs, wages, salaries and amortisation directly and 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 evidenced, 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 as well as development costs. Other development costs are recognised in the income statement as incurred.

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

Upon completion of development work, development costs are amortised on a straightline basis over the estimated useful lives. The amortisation period is usually 3 years.

Software

Software is measured at cost less accumulated amortisation and impairment losses. Software is amortised on a straight-line basis over the estimated useful life. The amortisation period is 3 years.

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

Notes

1 Accounting policies (continued)

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life determined on the basis of Management's experience within the individual business areas. The amortisation period is 20 years.

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

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools 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 on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

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

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3-5 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Fixed assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal.Gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities 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. Write-down is made to the recoverable amount if this is lower than the carrying amount.

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

Notes

1 Accounting policies (continued)

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised write-downs are reversed when the basis for the write-down no longer exists. Write-down of goodwill is not reversed.

Investments

Investments in subsidiaries and associates are measured at cost. Where the cost exceeds the net realisable value, the carrying amount is reduced to such lower value.

Other receivables and deposits are recognised at amortised cost.

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.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance of depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

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

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, a write-down is made.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

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

Notes

1 Accounting policies (continued)

Equity

Dividends

Proposed dividends are recognised as a liability at the date on which they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Reserve for development costs

The reserve for development costs comprises capitalised development costs. The reserve cannot be used for dividend, distribution or to cover losses. If the recognised development costs are sold or in other ways excluded from the Company's operations, the reserve will be dissolved and transferred directly to the distributable reserves under equity. If the recognised development costs are written down, the part of the reserve corresponding to the write-down of the developments costs will be reversed. If a writedown of development costs is subsequently reversed, the reserve will be re-established.

The reserve is reduced by amortisation of capitalised development costs on an ongoing basis.

Corporation tax and deferred tax

Current tax payable and receivable is recognised on the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for 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 value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to items where the temporary differences arise at the date of acquisition without affecting either profit/loss for the year or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; 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. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the income statement and equity.

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1 Accounting policies (continued)

Deferred income

Deferred income comprises services and SaaS contracts to customers which cannot be recognised until the subsequent financial year.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at cost, corresponding to the 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 cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Current liabilities are measured at amortised cost, which usually corresponds to the nominal value of the liability.

Foreign currency translation

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

Receivables, 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 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.

Upon recognition of foreign subsidiaries and associates, which are independent entities, the income statements are translated into Danish kroner at average exchange rates for the month, and balance sheet items are translated at the exchange rates at the balance sheet. Foreign exchange differences arising upon translation of foreign subsidiaries' opening equity and results at the exchange rates ruling at the balance sheet date are recognised directly in equity.

Cash flow statement

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

The cash flow effect of additions and disposals of entities is shown separately under cash flows from investing activities. The cash flow statement includes cash flows from acquired entities from the time of acquisition, and cash flows from sold entities are included until the date of sale.

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1 Accounting policies (continued)

Cash flows from operating activities

Cash flows from operating activities are stated as the profit or loss for the year, adjusted for non-cash operating items, changes in working capital and paid income taxes.

Cash flows from investing activities

Cash flows from investing activities comprise payments related to the acquisition and sale of entities and activities, intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in size or composition of the Company's contributed capital and costs in this respect as well as raising of loans, installments on interest-bearing debt and distribution of dividends to owners.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term securities whose remaining life is less than three months and which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

2 Staff costs

	Group		Parent Company	
DKK'000	2018	2017	2018	2017
Wages and salaries	31,742	32,830	0	0
Pensions	1,684	2,644	0	0
Other staff costs	6,864	6,494	0	0
	40,290	41,968	0	0
Average number of full-time employees	102	102	0	0

Staff costs of the Group and the Parent Company include remuneration of the Parent Company's Executive Board and Board of Directors of DKK 2,765 thousand (2017: DKK 2,691 thousand) and pensions of DKK 165 thousand (2017: DKK 156 thousand).

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3 Tax on profit for the year

	Group		Parent Company	
DKK'000	2018	2017	2018	2017
Current tax for the year	2,752	2,641	-8	-3
Deferred tax for the year	847	443	0	0
Adjustment of tax concerning previous years	-506	0	-48	0
	3,093	3,084	-56	-3

4 Proposed distribution of profit/loss

Reserves in accordance with the Articles	11,209	12,579	0	0
Non-controlling interests' share of subsidiaries profit	68	1,105	0	0
Proposed dividends for the year	10,000	0	0	0
Retained earnings	-14,258	-7,355	19	-11
	7,019	6,329	19	-11

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5 Intangible assets

	Group				
DKK'000	Completed development projects	Goodwill	Software	Development projects in progress	Total
Cost at 1 January 2018	33,705	93,652	10,450	21,460	159,267
Additions for the year	0	0	0	13,493	13,493
Transfers for the year	33,863	0	0	-33,863	0
Cost at 31 December 2018	67,568	93,652	10,450	1,090	172,760
Amortisation and impairment losses at 1 January 2018	-27,975	-20,043	-2,090	0	-50,108
Amortisation for the year	-6,744	-4,682	-2,090	0	-13,516
Amortisation and impairment losses at 31 December 2018	-34,719	-24,725	-4,180	0	-63,624
Carrying amount at 31 December 2018	32,849	68,927	6,270	1,090	109,136

6 Property, plant and equipment

	Group		
DKK'000	Fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2018	4,952	319	5,271
Exchange rate adjustment	-33	0	-33
Additions for the year	1,673	0	1,673
Cost at 31 December 2018	6,592	319	6,911
Depreciation and impairment losses at 1 January 2017	-3,829	-245	-4,074
Depreciation for the year	-421	-32	-453
Depreciation and impairment losses at 31 December 2018	-4,250	-277	-4,527
Carrying amount at 31 December 2018	2,342	42	2,384

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7 Investments

DKK'000	2018	2017
Cost at 1 January 2018	60,035	60,035
Cost at 31 December 2018	60,035	60,035
Carrying amount at 31 December 2018	60,035	60,035

Name/legal form	Registered office	Voting rights and ownership interest	Equity	Profit/loss for the year
Subsidiaries:			DKK'000	DKK'000
API Maintenance Holding A/S	Denmark	83.7%	100,625	6,999
			100,625	6,999

8 Deferred tax

	Group		Parent Company	
DKK'000	2018	2017	2018	2017
Deferred tax at 1 January	7,119	6,676	0	0
Deferred tax adjustment for the year in the income statement	847	443	0	0
	7,966	7,119	0	0

Provision for deferred tax relates to software, development projects and receivables.

9 Non-current liabilities other than provisions

	Group		Parent Company	
DKK'000	2018	2017	2018	2017
Loans				
0-1 years	9,000	7,500	0	0
1-5 years	0	5,500	0	0
	9,000	13,000	0	0

Collateral is disclosed in the note concerning contractual obligations, contingencies, etc.

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10 Deferred income

Deferred income, DKK 25,297 thousand (2017: DKK 18,879 thousand), comprises services and SaaS contracts to customers which cannot be recognised until the subsequent financial year.

11 Fees to auditor appointed at the general meeting

Pursuant to section 96(3) of the Danish Financial Statements Act, fees paid to the Company's auditor appointed at the general meeting have not been disclosed.

12 Contractual obligations, contingencies, etc.

Group

Securities
As collateral for credit facilities in credit institutions (banks), the Group has issued a floating charge of DKK 8,000 thousand. Debt to credit institutions (banks) amounted to DKK 9,000 thousand at the balance sheet date.

As collateral for its debt to credit institutions, the Company has issued a charge in all shares in API Maintenance systems A/S. The carrying amount of the charged assets amounted to DKK 1,500 thousand.

Operating leases
Lease obligations (operating leases) falling due within four years amount to DKK 496 thousand (2017: DKK 941 thousand).

Parent
The Company is jointly taxed with the other companies in the Group, and as from the financial year 2013, the Company is liable for tax claims on a pro rata basis. The maximum liability totals an amount corresponding to the share of the capital in the company which is owned directly or indirectly by the ultimate parent.

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13 Related party disclosures

TOPCAP ApS' related parties comprise the following:

Related party transactions

	Group		Parent Company	
	2018	2017	2018	2017
Management fee to subsidiaries	24,062	22,346	-	-
Management fee from parent	24,062	22,346	-	-
Sale of goods to parent	1,229	310	-	-
Purchase of goods from subsidiary	1,229	310	-	-
Loan to parent company	10,536	-	-	-
Loan from subsidiary	10,536	-	-	-

Transactions with subsidiaries consolidated in the Group have been eliminated in the consolidated financial statement of API Maintenance Holding ApS.

Remuneration to the Parent Company's Executive Board and Board of Directors is disclosed in note 2.

14 Change in working capital

	Group	
DKK'000	2018	2017
Change in inventories and work in progress	248	953
Change in receivables	-5,548	-131
Change in trade and other payables	6,591	-1,429
	1,291	-607

15 Cash and cash equivalents

	Group		Parent Company	
DKK'000	2018	2017	2018	2017
Cash and cash equivalents are specified as follows:				
Cash at bank and in hand	14,088	11,454	0	0
Bank overdraft	0	-2,084	0	0
	14,088	9,370	0	0