

TopCap X ApS

Borupvang 3
2750 Ballerup
Central Business Registration
No 35647643

Annual report 2017

The Annual General Meeting adopted the annual report on 29.05.2018

Chairman of the General Meeting

Name: Ulrik Nicolai Jungersen

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Entity details

Entity

TopCap X ApS
Borupvang 3
2750 Ballerup

Central Business Registration No (CVR): 35647643
Registered in: Ballerup
Financial year: 01.01.2017 - 31.12.2017

Executive Board

Jens Thøger Hansen
Ulrik Nicolai Jungersen
Erik Balleby Jensen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København C

Statement by Management on the annual report

The Executive Board have today considered and approved the annual report of TopCap X ApS for the financial year 01.01.2017 - 31.12.2017.

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 31.12.2017 and of the results of its operations and cash flows for the financial year 01.01.2017 - 31.12.2017.

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.

Ballerup, 29.05.2018

Executive Board

Jens Thøger Hansen

Ulrik Nicolai Jungersen

Erik Balleby Jensen

Independent auditor's report

To the shareholders of TopCap X ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of TopCap X ApS for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2017, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group 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 consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent'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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity 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 financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

Independent auditor's report

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 these parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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'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 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'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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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.

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent 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.

Copenhagen, 29.05.2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Bjørn Winkler Jakobsen
State Authorised Public Accountant
Identification No (MNE) mne32127

Henrik Hartmann Olesen
State Authorised Public Accountant
Identification No (MNE) mne34143

Management commentary

	2017 DKK'000	2016 DKK'000	2015 DKK'000	2014 DKK'000
Financial highlights				
Key figures				
Gross profit	21.165	21.531	17.418	38.580
Operating profit/loss	(27.439)	(39.136)	(26.526)	3.527
Net financials	(3.156)	(2.596)	(2.091)	(1.616)
Profit/loss for the year	(29.867)	(40.085)	(26.977)	19
Profit/loss for the year excl minority interests	(28.768)	(37.718)	(17.024)	(3.690)
Total assets	88.804	122.790	148.804	140.072
Investments in property, plant and equipment	105	135	334	2.651
Equity	32.915	62.212	94.983	104.074
Equity excl minority interests	31.930	60.016	84.762	91.814
Cash flows from (used in) operating activities	9.443	(3.079)	(9.663)	11.153
Cash flows from (used in) investing activities	(7.439)	(10.464)	(11.786)	(129.242)
Cash flows from (used in) financing activities	0	7.689	17.590	119.767

Ratios

Return on equity (%)	(62,6)	(52,1)	(19,3)	(4,0)
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Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios

Return on equity (%)

Calculation formula

$$\frac{\text{Profit/loss for the year excl minority interests} \times 100}{\text{Average equity excl minority interests}}$$

Calculation formula reflects

The entity's return on capital invested in the entity by the owners.

Management commentary

Primary activities

The Group's activities comprise development, sales marketing and operation of an online video platform and related activities for the OTT video and TV Everywhere industry.

The Parent's primary activities are to invest in and own shares in other companies.

Development in activities and finances

Xstream A/S achieved an unsatisfactorily financial result in 2017.

During the year the company went through organizational changes to improve focus and performance. Major focus was directed towards existing customer base with an emphasis on entering into a new contractual agreement with its largest customer Canal Digital. An agreement was concluded in November 2017.

Management has focused on building a stronger sales pipeline with expectations to on-board new customers during calendar year 2018.

During the year following management took place: Laurits Tygesen resigned as CEO and Michael Rasmussen was appointed CEO. Jacob Barlebo joined the company as head of sales. Pawl Luszczek was appointed CTO and Marek Kowalczyk appointed head of operations and support.

Management has during 2017 implemented a number of organizational changes and cost reduction measures and expects the results for 2018 to be positive.

Xstream Sp. z.o.o had a challenging year and achieved a result below expectations. For 2018 the company is expected to improve its performance and result.

Xstream North America Inc. the company was dormant during the year with no operational activities.

Xstream Asia Pte Ltd the company was dormant during the year and will be closed down in the first half of 2018.

Corporate Governance

The Company is part of a group, in which Danish private equity fund Capidea is a majority shareholder.

Companies owned by private equity funds and presenting the annual report after the provisions applying to reporting class C large entities are to incorporate DVCA's (Danish Venture Capital Association) guidelines for the corporate governance.

The Company presents the annual report in accordance with the provisions applying to class B entities and is therefore not fully covered by the DVCA's guidelines but has voluntarily chosen to present additional relevant information.

Capidea is represented by partner Mr. Ulrik Nicolai Jungersen on the Executive Board.

Management commentary

Uncertainty relating to recognition and measurement

Goodwill

Based on the development of the activities in the Group Management has tested the goodwill and related assets for impairment. Based on the impairment test Management has recognised impairment losses relating to goodwill of DKK 20.000k.

Measurement of goodwill will depend on both business specific matters, including growth potential, performance, risks, etc as well as market-related matters including demand for the industri in question, etc.

Consequently, the measurement of goodwill and related assets are subject to estimates and uncertainties. The evaluation of the measurement of goodwill and related assets is based on a multiple method comprising an assessment of the sensitivity of the value adjustments of the multiple.

Development projects

In 2017, the Group recognised total development projects of DKK 23.046k in the balance sheet. The Group expects these projects (software) to contribute significantly to future profits.

Deferred tax assets

The Group has a deferred tax asset of DKK 6.348k concerning tax loss carryforwards which has not been recognised based on the uncertainty of the utilisation.

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.

Consolidated income statement for 2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Gross profit		21.165.023	21.531.002
Staff costs	2	(15.939.798)	(25.680.131)
Depreciation, amortisation and impairment losses	3	(32.664.686)	(34.987.370)
Operating profit/loss		(27.439.461)	(39.136.499)
Other financial income		261.832	962.780
Other financial expenses		(3.418.078)	(3.558.560)
Profit/loss before tax		(30.595.707)	(41.732.279)
Tax on profit/loss for the year	4	729.148	1.647.020
Profit/loss for the year		(29.866.559)	(40.085.259)
Proposed distribution of profit/loss			
Retained earnings		(28.767.730)	(37.718.359)
Minority interests' share of profit/loss		(1.098.829)	(2.366.900)
		(29.866.559)	(40.085.259)

Consolidated balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Completed development projects		23.045.736	22.184.321
Acquired intangible assets		2.390	29.735
Goodwill		50.181.436	75.875.961
Intangible assets	5	<u>73.229.562</u>	<u>98.090.017</u>
Other fixtures and fittings, tools and equipment		236.733	378.710
Property, plant and equipment	6	<u>236.733</u>	<u>378.710</u>
Deposits		59.400	59.400
Other receivables		943.620	919.366
Fixed asset investments	7	<u>1.003.020</u>	<u>978.766</u>
Fixed assets		<u>74.469.315</u>	<u>99.447.493</u>
Trade receivables		6.569.663	12.178.152
Deferred tax	8	0	110.833
Other receivables		1.314.290	1.377.715
Income tax receivable		1.143.936	2.658.750
Prepayments		848.086	1.098.843
Receivables		<u>9.875.975</u>	<u>17.424.293</u>
Cash		<u>4.458.494</u>	<u>5.918.213</u>
Current assets		<u>14.334.469</u>	<u>23.342.506</u>
Assets		<u>88.803.784</u>	<u>122.789.999</u>

Consolidated balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Contributed capital		11.849.035	11.849.035
Retained earnings		20.080.762	48.166.991
Equity attributable to the Parent's owners		31.929.797	60.016.026
Share of equity attributable to minority interests		985.435	2.195.565
Equity		32.915.232	62.211.591
Deferred tax	8	4.755.361	4.666.584
Other provisions		1.545	2.893
Provisions		4.756.906	4.669.477
Debt to other credit institutions		25.000.000	25.000.000
Non-current liabilities other than provisions	9	25.000.000	25.000.000
Current portion of long-term liabilities other than provisions	9	4.784.908	3.098.970
Bank loans		10.488.209	13.951.782
Prepayments received from customers		3.184.853	6.527.093
Trade payables		4.340.959	3.400.081
Other payables		3.332.717	3.931.005
Current liabilities other than provisions		26.131.646	30.908.931
Liabilities other than provisions		51.131.646	55.908.931
Equity and liabilities		88.803.784	122.789.999
Uncertainty relating to recognition and measurement	1		
Unrecognised rental and lease commitments	11		
Assets charged and collateral	12		
Subsidiaries	13		

Consolidated statement of changes in equity for 2017

	Contributed capital DKK	Retained earnings DKK	Share of equity attributable to minority interests DKK	Total DKK
Equity beginning of year	11.849.035	48.166.991	2.195.565	62.211.591
Exchange rate adjustments	0	681.501	91.203	772.704
Other entries on equity	0	0	(202.504)	(202.504)
Profit/loss for the year	0	(28.767.730)	(1.098.829)	(29.866.559)
Equity end of year	11.849.035	20.080.762	985.435	32.915.232

Consolidated cash flow statement for 2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Operating profit/loss		(27.439.461)	(39.136.499)
Amortisation, depreciation and impairment losses		32.664.686	34.987.370
Other provisions		(1.348)	(5.576)
Working capital changes	10	4.924.983	1.685.043
Cash flow from ordinary operating activities		10.148.860	(2.469.662)
Financial income received		261.832	962.780
Financial income paid		(3.418.078)	(3.711.223)
Income taxes refunded/(paid)		2.450.470	2.139.576
Cash flows from operating activities		9.443.084	(3.078.529)
Acquisition etc of intangible assets		(7.542.934)	(10.667.014)
Acquisition etc of property, plant and equipment		(104.662)	(134.885)
Sale of property, plant and equipment		179.880	23.081
Acquisition of fixed asset investments		0	(59.400)
Sale of fixed asset investments		28.486	374.157
Cash flows from investing activities		(7.439.230)	(10.464.061)
Cash increase of capital		0	7.689.466
Cash flows from financing activities		0	7.689.466
Increase/decrease in cash and cash equivalents		2.003.854	(5.853.124)
Cash and cash equivalents beginning of year		(8.033.569)	(2.180.445)
Cash and cash equivalents end of year		(6.029.715)	(8.033.569)
Cash and cash equivalents at year-end are composed of:			
Cash		4.458.494	5.918.213
Short-term debt to banks		(10.488.209)	(13.951.782)
Cash and cash equivalents end of year		(6.029.715)	(8.033.569)

Notes to consolidated financial statements

1. Uncertainty relating to recognition and measurement

Goodwill

Based on the development of the activities in the Group Management has tested the goodwill and related assets for impairment. Based on the impairment test Management has recognised impairment losses relating to goodwill of DKK 20,000k.

Measurement of goodwill will depend on both business specific matters, including growth potential, performance, risks, etc as well as market-related matters including demand for the industri in question, etc.

Consequently, the measurement of goodwill and related assets are subject to estimates and uncertainties. The evaluation of the measurement of goodwill and related assets is based on a multiple method comprising an assessment of the sensitivity of the value adjustments of the multiple.

Development projects

In 2017, the Group recognised total development projects of DKK 23,046k in the balance sheet. The Group expects these projects (software) to contribute significantly to future profits.

Deferred tax assets

The Group has a deferred tax asset of DKK 6,348k concerning tax loss carryforwards which has not been recognised based on the uncertainty of the utilisation.

	2017	2016
	DKK	DKK
2. Staff costs		
Wages and salaries	13.292.749	22.096.184
Pension costs	234.322	472.009
Other social security costs	1.964.309	2.329.673
Other staff costs	448.418	782.265
	15.939.798	25.680.131
Average number of employees	29	37

	2017	2016
	DKK	DKK
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	12.231.999	12.350.513
Impairment losses on intangible assets	20.000.000	21.944.884
Depreciation of property, plant and equipment	252.807	674.397
Profit/loss from sale of intangible assets and property, plant and equipment	179.880	17.576
	32.664.686	34.987.370

Notes to consolidated financial statements

	2017 DKK	2016 DKK
4. Tax on profit/loss for the year		
Current tax	(1.138.971)	(2.115.401)
Change in deferred tax	199.610	472.008
Adjustment concerning previous years	210.213	(3.627)
	(729.148)	(1.647.020)

	Completed develop- ment projects DKK	Acquired intangible assets DKK	Goodwill DKK
5. Intangible assets			
Cost beginning of year	42.451.192	632.028	112.892.237
Exchange rate adjustments	0	19.531	0
Additions	7.542.934	0	0
Disposals	(418.893)	0	0
Cost end of year	49.575.233	651.559	112.892.237
Amortisation and impairment losses beginning of year	(20.266.871)	(602.293)	(37.016.276)
Exchange rate adjustments	0	(18.613)	0
Impairment losses for the year	0	0	(20.000.000)
Amortisation for the year	(6.509.211)	(28.263)	(5.694.525)
Reversal regarding disposals	246.585	0	0
Amortisation and impairment losses end of year	(26.529.497)	(649.169)	(62.710.801)
Carrying amount end of year	23.045.736	2.390	50.181.436

The cost price of development projects is derived from time spent in the subsidiary Xstream Sp. z.o.o. expressed in man-hours and cost of man-hour. On an on-going basis Management assess the value of the assets.

With the closing of each fiscal year Management carry out a thorough assessment of all intangible assets consisting of the following elements:

1. On-line video market potential
2. Business case and the assets value compared to the present value of the discounted future cash flows from business (impairment test).

Notes to consolidated financial statements

	Other fixtures and fittings, tools and equipment DKK	
6. Property, plant and equipment		
Cost beginning of year	2.067.659	
Exchange rate adjustments	85.822	
Additions	104.662	
Disposals	(135.239)	
Cost end of year	2.122.904	
Depreciation and impairment losses beginning of year	(1.688.949)	
Exchange rate adjustments	(72.082)	
Depreciation for the year	(252.807)	
Reversal regarding disposals	127.667	
Depreciation and impairment losses end of year	(1.886.171)	
Carrying amount end of year	236.733	
	Other receivables DKK	
	Deposits DKK	
7. Fixed asset investments		
Cost beginning of year	59.400	919.366
Exchange rate adjustments	0	52.739
Disposals	0	(28.485)
Cost end of year	59.400	943.620
Carrying amount end of year	59.400	943.620
	2017 DKK	2016 DKK
8. Deferred tax		
Intangible assets	5.070.062	4.868.992
Property, plant and equipment	(181.732)	(239.711)
Provisions	(69.014)	(550)
Liabilities other than provisions	(63.955)	(72.980)
	4.755.361	4.555.751

Notes to consolidated financial statements

	Due within 12 months 2017 DKK	Due within 12 months 2016 DKK	Due after more than 12 months 2017 DKK	Outstanding after 5 years DKK
9. Liabilities other than provisions				
Debt to other credit institutions	4.784.908	3.098.970	25.000.000	25.000.000
	4.784.908	3.098.970	25.000.000	25.000.000

The current portion relates to accrued interests.

	2017 DKK	2016 DKK
10. Change in working capital		
Increase/decrease in receivables	6.238.697	2.782.711
Increase/decrease in trade payables etc	(1.313.714)	(1.097.668)
	4.924.983	1.685.043

	2017 DKK	2016 DKK
11. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	2.792.559	2.975.135

12. Assets charged and collateral

As security for bank loans the subsidiary Xstream A/S has provided a floating charge of DKK 5,000k comprising goodwill, development projects, acquired intangible assets, other fixtures and fittings, tools and equipment and trade receivables. The carrying amounts of the assets are DKK 31,243k.

	Registered in	Corpo- rate form	Equity inte- rest %
13. Subsidiaries			
CapHold X ApS	Ballerup	ApS	97,4
Xstream A/S	Ballerup	A/S	89,7
Xstream Spółka z.o.o.	Poland	z.o.o.	100,0
Xstream Inc.	United States	Inc.	100,0
Xstream Asia Pte. Ltd.	Singapore	Ltd.	100,0

Parent income statement for 2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Gross loss		(54.875)	(50.625)
Income from investments in group enterprises		(29.073.982)	(33.007.085)
Other financial income	2	313.836	117.140
Other financial expenses		(5.780)	(1.031)
Profit/loss before tax		(28.820.801)	(32.941.601)
Tax on profit/loss for the year	3	(74.782)	9.534
Profit/loss for the year		(28.895.583)	(32.932.067)
Proposed distribution of profit/loss			
Retained earnings		(28.895.583)	(32.932.067)
		(28.895.583)	(32.932.067)

Parent balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Investments in group enterprises		25.135.962	53.579.137
Fixed asset investments	4	25.135.962	53.579.137
Fixed assets		25.135.962	53.579.137
Receivables from group enterprises		5.366.560	5.117.140
Income tax receivable		0	9.541
Receivables		5.366.560	5.126.681
Cash		1.343.930	1.349.710
Current assets		6.710.490	6.476.391
Assets		31.846.452	60.055.528

Parent balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Contributed capital	5	11.849.035	11.849.035
Retained earnings		19.862.342	48.127.118
Equity		31.711.377	59.976.153
Payables to group enterprises		48.750	48.750
Joint taxation contribution payable		55.700	0
Other payables		30.625	30.625
Current liabilities other than provisions		135.075	79.375
Liabilities other than provisions		135.075	79.375
Equity and liabilities		31.846.452	60.055.528
Uncertainty relating to recognition and measurement	1		
Contingent liabilities	6		

Parent statement of changes in equity for 2017

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	11.849.035	48.127.118	59.976.153
Exchange rate adjustments	0	630.807	630.807
Profit/loss for the year	0	(28.895.583)	(28.895.583)
Equity end of year	11.849.035	19.862.342	31.711.377

Notes to parent financial statements

1. Uncertainty relating to recognition and measurement

Based on the development of the activities in the subsidiary Xstream A/S, the Company has tested the investment for impairment. Based on the impairment test, Management has recognised impairment losses relating to goodwill of DKK 20,000k in the financial statements of CapHold X ApS.

In relation to the Company's investments in unlisted companies, measurement will depend on both entity specific matters, including growth potential, performance, risks, etc as well as market-related matters including demand for the industri in question, etc.

Consequently, the measurement of investments and related goodwill is subject to estimates and uncertainties. The evaluation of the measurement of the investment is based on a discounted cash flow model which is specifically sensitive to the inputs of expected future cash flows, WACC, terminal growth etc.

	2017 DKK	2016 DKK
2. Other financial income		
Financial income arising from group enterprises	313.836	117.140
	313.836	117.140
	2017 DKK	2016 DKK
3. Tax on profit/loss for the year		
Current tax	0	(9.541)
Adjustment concerning previous years	19.082	7
Refund in joint taxation arrangement	55.700	0
	74.782	(9.534)
		Invest- ments in group enterprises DKK
4. Fixed asset investments		
Cost beginning of year		106.905.417
Cost end of year		106.905.417
Impairment losses beginning of year		(53.326.280)
Exchange rate adjustments		630.807
Share of profit/loss for the year		(29.073.982)
Impairment losses end of year		(81.769.455)
Carrying amount end of year		25.135.962

Notes to parent financial statements

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

	<u>Number</u>	<u>Par value DKK</u>	<u>Nominal value DKK</u>
5. Contributed capital			
Class A	11.730.544	1	11.730.544
Class B	118.491	1	118.491
	<u>11.849.035</u>		<u>11.849.035</u>

6. Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

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.

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

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.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' proportionate share of profit or loss is presented as a separate item in Management's proposal for distribution of profit or loss, and their share of subsidiaries' net assets is presented as a separate item in group equity.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

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 rate 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. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, other operating income and external expenses.

Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

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 writedowns of receivables recognised in current assets.

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

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation 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 interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies etc.

Other financial expenses

Other financial expenses comprises interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies 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 Parent Entity is jointly taxed with all Danish subsidiaries. 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 the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile, and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation periods used are 20 years.

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, acquired intellectual property rights and prepayments for intangible assets.

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 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.

Accounting policies

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 which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. The amortisation periods used are 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.

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

Property, plant and equipment

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:

Other fixtures and fittings, tools and equipment	3-5 years
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Estimated useful lives and residual values are reassessed annually.

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

Investments in group enterprises

In the parent financial statements, 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 value plus unamortised goodwill and plus or minus unrealised intra-group profits and losses.

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation periods used are 20 years.

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 writedowns for bad and doubtful debts.

Income tax payable or receivable

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.

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 the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability.

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.

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

Other provisions

Other provisions comprise provisions for pensions-related benefits and similar.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

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

Accounting policies

Prepayments received from customers

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

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash less short-term bank loans.

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Bjørn Winkler Jakobsen

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Jens Thøger Hansen

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