MH Gruppen TopCo ApS

Farum Gydevej 62, 3520 Farum

CVR No 36 91 56 09

Annual report for

01.10.2017

-

30.09.2018

The Annual Report was presented and adopted at the Annual General Meeting of the Company on: 16/1 - 2019

Chairman

Henrik Axel Juul Nordenlund

Contents

Company Information

Company

MH Gruppen TopCo ApS
Farum Gydevej 62
3520 Farum

Central Business Registration No	36 91 56 09
Registered in	Farum

Financial period: 1 October 2017 - 30 September 2018
Financial year: 4th financial year

Executive Board

Martin Calderbank
Kevin Kristoffer Ehnhuus Iermiin

Auditors

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup
Cvr nr. 33 77 12 31

Key figures

	2017/18 TDKK	2016/17 TDKK	2015/16* TDKK	2014/15* TDKK
Financial highlights				**(3 months)**
Profit and loss accounts				
Revenue	715.846	570.301	566.895	128.324
Gross profit/loss	425.010	315.188	272.202	72.754
Operating profit/loss	104.186	59.798	26.878	18.114
Net financials	(127.940)	(104.830)	(97.289)	(28.237)
Profit/loss for the period	(40.157)	(59.893)	(82.027)	(13.635)
Balance sheet				
Total assets	1.461.672	1.334.144	1.264.521	1.261.334
Total equity attributable to owners of MH Gruppen TopCo ApS	226.813	579	59.878	128.815
Cash flows				
Operating activities	120.974	22.321	23.221	15.354
Investing activities	(118.880)	(16.744)	(79.756)	(1.125.440)
Hereof investments in intangible and tangible fixed assets	157.655	125.482	(77.604)	(14.352)
Financing activities	40.364	(17.876)	63.125	1.147.090
Net cash flow for the year	42.458	(12.299)	6.590	37.004
Employees				
Average number of employees	378	326	311	53
Key Ratios				
Return on assets (%)	7%	4%	2%	1%
Solvency ratio (%)	16%	0%	5%	10%

Explanation of key ratios

Return on assets $\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$

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

*) The company has implemented IFRS as per 01.10.2016. The comparative figures for 2015/16 and 2014/15 are stated under Danish GAAP.

Management's Review

Primary activities

MH Gruppen TopCo ApS is a holding company which primary activity is owning shares in the Reconor Group. The Group operates within waste management and environmental handling of waste materials and other related business.

Development in the year

The Groups revenue amounted to TDKK 715.846 which is in line with the expectations at the beginning of the year. The revenue has increased significantly compared with last year mainly due to the acquisition of companies.

During the financial year 2017/18, the Group has established two segments, Resources and Logistics, to enable increased focus on the Groups primary activities. Further, the commercial setup has been strengthened and the two acquired companies, Mijodan and Lotra, have been fully integrated. In all entities, a common IT platform has been implemented. Management believe that these developments have contributed positive to the 2017/18 result.

Adjusted for non-recurring costs according to group policy, the 2017/18 EBITDA is TDKK 171.947.

The income statement of the Group for 2017/18 shows a loss before tax of TDKK 23.754, compared to a loss before tax of TDKK 45.032 last year.

At 30 September 2018 the majority shareholder converted a shareholder loan of TDKK 267.451 to share capital. At 30 September 2018 the Equity amounts to TDKK 227.351, compared to an equity of TDKK 57 per 30 September 2017.

Including the subordinated loans the shareholders capital amounts to TDKK 349.575, which corresponds to a ratio of approximately 24% of the total liabilities.

As described above, the Group comprise two segments, hence Logistics and Resources.

Logistic-segment

Revenue amounted to TDKK 407.257 (2016/17 - TDKK 311.670), before eliminations. The increase is referable to the full year effect of an acquisition plus higher activity in the markets.

Resources-segment

Revenue amounted to TDKK 395.077 (2016/17 - TDKK 318.941), before eliminations. The increase is referable to the effect of an acquisition plus higher activity in the markets.

Outlook for the coming year

Revenue and profitability are for both the Logistic-segment and the Resource-segment expected to increase in the coming financial year.

Revenue is expected to increase by one-digit growth rates in 2018/19. Due to the increase in revenue, efficiency improvements and cost saving initiatives, EBITDA is also expected to increase in 2018/19.

Management's Review

Risk management
The Group is exposed to various commercial and financial risks when operating its activities.

Commercial and operational risks
The group is exposed to various commercial risks, such as competition, governmental regulation, pricing and similar.

Group management routinely monitor the risks and opportunities that may occur. It has been assessed, that there are no single significant risks relating to the operations of the group.

Financial risks
The financial risks is described in note 20 in the Groups financial statement.

Research and development activities risks
The Company spends considerable resources on product development. For accounting purposes and with the exception of IT-projects, these costs are not capitalized.

Statutory statement regarding sustainabilty and social responsibility in accordance with section 99a of the Danish Financial Statements Act
MH Gruppen TopCo ApS has not had formalised Group policies for sustainability and social responsibility for the reporting period of 2017/18. The consolidated statement below support on inputs from daughter companies, which are not individually required to report in accordance with section 99a of the Danish Financial Statement Act.

Activities and results in 2017/18
The Group is actively managing its corporate responsibilities associated with a range of issues including health, safety and environmental management, providing employees with the opportunity to develop and flourish and upholding high standards of ethical performance and governance throughout the business. For a number of companies within the group, these activities have been formalized through external certification with a Management System, such as ISO 14001 and ISO 9001. Following a Management System approach has helped to emphasize the importance of continual improvement and the creation of an embedded process to manage the associated risks and identify potential opportunities.

The Group has engaged with an external ESG consultant who has performed an assessment of the Group to help identify opportunities within the Group. The recommendations identified are being tracked and enacted by Management and progress will be mapped during an annual review process. The business is currently working towards a Group-wide Environmental management System (ISO 14001), extending the scope beyond the existing certification which currently covers Norrecco, City Container Fyn and CC CPH. The Group has also been working towards reducing energy consumption through a number of proactive initiatives, including a LED (efficient lighting) replacement programme. Furthermore, it has taken steps to improve the fuel efficiency of its vehicles through the introduction of a driver training programme; which in addition to safer driving training, also focuses on improving driving techniques to increase fuel efficiency. Employees are rewarded for safe and efficient driving, with the most fuel efficient drivers receiving an award.

Management's Review

Over the past 12 months the Group has recruited an experienced Human Resources Manager and in doing so, created an HR department. This represents a move by the business to create a more strategic and proactive HR function, which supports the business and develops its people through a range of activities. The business is also diligent in providing a safe working environment with Group safety representatives appointed at each of the sites to ensure strong levels of governance across the Group. The central team take a lead in providing oversight of group safety performance and ensure each of the sites are proactively managing compliance and any associated risks. Our health and safety committee meet quarterly to review performance and ensure the business is operating to high safety standards.

Statutory statement regarding the underrepresented gender in accordance with section 99b of the Danish Financial Statements Act

MH Gruppen TopCo ApS is the only company within the Group, which is required to report regarding gender diversity due to the preparation of consolidated accounts for the Group.

Target for the supreme management body

The supreme management body of MH Gruppen TopCo ApS is the executive board, which include only two male members. Thus, equal gender representation has been obtained in accordance with the guidelines of the Danish Business Agency.

Policy to increase gender diversity on other management levels

None of the individual companies within the Group, including the mother company, is independently required to report in accordance with section 99b of the Danish Financial Statements Act. Consequently, there are no requirements to prepare neither a policy nor report upon contents, efforts and results for any of the companies within the Group. Furthermore, the mother company has no employees, and can thereby apply the exemption of having less than 50 employees and revert from reporting on gender diversity on other management levels.

Uncertainty relating to recognition and measurement

The Group does not have any special uncertainties relating to recognition and measurement. The critical accounting estimates are described in note 2 in the Group financial statement.

Knowledge Resources

To some extent, the Group is dependent on attracting and retaining employees who are able to continue the development of the Group's operations.

Knowledge resources that may be of particular importance for the Group's future operations relate to being at the front edge of a wide range of services as well as having and maintaining a good image as an effective, dependable as well as a flexible, socially and environmentally responsible company with a good working environment.

Unusual events

The Group has not been affected by any unusual events in the financial year ending 30 September 2018.

Management's Review

Subsequent events
1 November 2018 the Group acquired Hedegaard Miljø A/S. No other significant events have occurred after the reporting period.

Management's Statement

The Executive Board have today considered and adopted the Annual Report of MH Gruppen TopCo ApS for the financial year 1 October 2017 - 30 September 2018.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and the Parent Company Financial Statements have been prepared in accordance with the Danish Financial Statements Act. Management's Review has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 30 September 2018 of the Group and the Parent Company and of the results of the Group and Parent Company operations and consolidated cash flows for the financial year 1 October 2017 - 30 September 2018.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Farum, 16 January 2019

Executive Board

Martin Calderbank	Kevin Kristoffer Ehrhuus Iermiin

Independent Auditor's Report

To the Shareholder of MH Gruppen TopCo ApS

Opinion
In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 30 September 2018 and of the results of the Group's operations and cash flows for the financial year 1 October 2017 to 30 September 2018 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 30 September 2018 and of the results of the Parent Company's operations for the financial year 1 October 2017 to 30 September 2018 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of MH Gruppen TopCo ApS for the financial year 1 October 2017 to 30 September 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as statement of comprehensive income and cash flow statement for the Group ("financial statements").

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review
Management is responsible for Management's Review.

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

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

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

Independent Auditor's Report

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements
Management is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of Parent Company Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of 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 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 financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the 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 judgment and maintain professional skepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Independent Auditor's Report

• Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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 Parent Company to cease to continue as a going concern.

• Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the 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.

Hellerup, 16 January 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Torben Jensen
State Authorised Public Accountant
mne18651

Thomas Baunkjær Andersen
State Authorised Public Accountant
mne35483

Consolidated statement of profit and loss 1 October - 30 September

	Notes	2017/18 TDKK	2016/17 TDKK
Revenue	3	715.846	570.301
Raw materials and consumables		(290.836)	(255.113)
Gross profit/loss		**425.010**	**315.188**
Other external expenses		(70.903)	(40.713)
Staff expenses	4	(204.598)	(165.769)
Depreciation and amortisation of intangible and fixed assets	5	(49.395)	(52.111)
Other income		4.072	3.203
Operating profit/loss		**104.186**	**59.798**
Finance income	6	556	320
Finance costs	7	(128.496)	(105.150)
Profit/loss before tax		**(23.754)**	**(45.032)**
Income tax	8	(16.403)	(14.861)
Profit/loss for the period		**(40.157)**	**(59.893)**
Profit/loss for the period is attributable to:			
Owners of MH Gruppen TopCo ApS		(40.157)	(55.724)
Non-controlling interests		0	(4.169)
		(40.157)	**(59.893)**

Consolidated statement of comprehensive income 1 October - 30 September

	Notes	2017/18 TDKK	2016/17 TDKK
Profit for the period		(40.157)	(59.893)
Other comprehensive income			
Items that will be subsequently reclassified to profit or loss			
Cash flow hedging reclassified to profit and loss		0	0
Income tax relating to these items		0	0
Other comprehensive income for the period, net of tax		**0**	**0**
Total comprehensive income for the period		**(40.157)**	**(59.893)**
Total comprehensive income for the period is attributable to:			
Owners of MH Gruppen TopCo ApS		(40.157)	(55.724)
Non-controlling interests		0	(4.169)
		(40.157)	**(59.893)**

Consolidated balance sheet 30 September

	Notes	2017/18 TDKK	2016/17 TDKK	1 October 2016 TDKK
Intangible assets	10	862.059	804.838	843.077
Property, plant and equipment	11,12	417.533	378.807	335.554
Non current receivables		5.675	4.901	4.880
Deferred tax asset	13	6.190	10.613	3.893
Total non-current assets		**1.291.457**	**1.199.159**	**1.187.404**
Inventories	14	8.250	3.882	4.087
Trade receivables	15	81.501	91.195	106.265
Other receivables		6.710	8.612	7.200
Cash and cash equivalents		73.754	31.296	43.595
Total current assets		**170.215**	**134.985**	**161.147**
Total assets		**1.461.672**	**1.334.144**	**1.348.551**

Consolidated balance sheet 30 September

	Note	2017/18 TDKK	2016/17 TDKK	1 October 2016 TDKK
Share capital	16	12.218	7.218	7.218
Retained earnings		214.595	(6.639)	49.085
Proposed dividend for the year		0	0	0
Total equity attributable to owners of MH Gruppen TopCo ApS		**226.813**	**579**	**56.303**
Non-controlling interests		538	(522)	5.120
Total equity		**227.351**	**57**	**61.423**
Subordinated loan from owners		122.224	354.654	311.115
Borrowings	20	645.686	545.082	537.356
Provisions	17, 20	21.000	21.000	21.000
Deferred income tax liabilities	13	0	0	0
Current income tax liabilities	20	19.306	25.302	12.376
Lease obligations	20	191.244	224.073	226.342
Other payables	20	33.719	0	0
Total non-current liabilities		**1.033.179**	**1.170.111**	**1.108.189**
Borrowings	20	1.113	351	3
Provisions	17, 20	36.356	18.292	39.053
Trade payables	20	63.365	54.713	50.009
Current income tax liabilities	20	16.313	12.874	19.297
Lease obligations	20	40.002	43.261	34.656
Other payables	20	43.993	34.485	35.921
Total current liabilities		**201.142**	**163.976**	**178.939**
Total liabilities		**1.234.321**	**1.334.087**	**1.287.128**
Total equity and liabilities		**1.461.672**	**1.334.144**	**1.348.551**

Consolidated statement of changes in equity

	Share capital TDKK	Share premium account TDKK	Retained earnings TDKK	Total equity attributable to owners of MH Gruppen TopCo ApS TDKK	Non-controlling interests TDKK	Total TDKK
Equity at 01.10.2016	**7.218**	**0**	**49.085**	**56.303**	**5.120**	**61.423**
Profit for the period	0	0	(55.724)	(55.724)	(4.169)	(59.893)
Other comprehensive income	0	0	0	0	0	0
Total comprehensive income for the period	**0**	**0**	**(55.724)**	**(55.724)**	**(4.169)**	**(59.893)**
Transactions with owners in their capacity as owners						
Sale of treasury shares	0	0	0	0	(1.473)	(1.473)
Equity at 30.09.2017	**7.218**	**0**	**(6.639)**	**579**	**(522)**	**57**
Profit for the period	0	0	(40.157)	(40.157)	0	(40.157)
Other comprehensive income	0	0	0	0	0	0
Total comprehensive income for the period	**0**	**0**	**(40.157)**	**(40.157)**	**0**	**(40.157)**
Transfer from non-controlling interests	0	0	(1.060)	(1.060)	1.060	0
Capital increase	5.000	262.451	0	267.451	0	267.451
Transfer from share premium account	0	(262.451)	262.451	0	0	0
Equity at 30.09.2018	**12.218**	**0**	**214.595**	**226.813**	**538**	**227.351**

Consolidated cash flow statement 1 October - 30 September

	Notes	2017/18 TDKK	2016/17 TDKK
Profit/loss for the period		(40.157)	(59.893)
Adjustments	23	188.954	164.699
Changes in net working capital	24	28.815	(3.217)
Cash flows from ordinary activities before financial income and expenses		**177.612**	**101.589**
Interests received		556	320
Interests paid		(39.365)	(59.300)
Cash flows from ordinary activities		**138.803**	**42.609**
Income taxes paid		(17.829)	(20.288)
Net cash flow from operating activities		**120.974**	**22.321**
Purchase of intangible assets		(4.158)	(4.619)
Proceeds from sale of intangible assets		0	50.000
Purchase of property, plant and equipment		(56.530)	(44.807)
Proceeds from sale of property, plant and equipment		18.440	7.667
Purchase of fixed asset investments		0	(21)
Acquisition of subsidiaries		(83.323)	(25.000)
Acquired cash (acquisition of subsidiaries)		6.691	36
Net cash flow from investing activities		**(118.880)**	**(16.744)**
Proceeds from borrowings		80.727	205.000
Repayment of borrowings		(4.275)	(207.978)
Lease obligations incurred		26.451	33.492
Lease obligations reduced		(62.539)	(46.916)
Redemption of subordinated loan		(267.451)	0
Capital increase (debt conversion)		267.451	0
Non-controlling interests		0	(1.474)
Cash flow from financing activities		**40.364**	**(17.876)**
Net cash flow for the year		42.458	(12.299)
Cash and cash equivalents, beginning of the year		31.296	43.595
Cash and cash equivalents at end of the year		**73.754**	**31.296**

Notes

Notes

1. Accounting policies

The Financial Statements for MH Gruppen TopCo ApS have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union as well as additional Danish disclosure requirements applying to entities of reporting class C for large enterprises.

The financial statements are presented in Danish Kroner (DKK). The financial statements have been rounded to the nearest thousand.

New standards not yet effective
There are no IFRSs or IFRIC interpretations that are not yet effective that is expected to have a material impact on the Company.

Basis of consolidation
Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

On consolidation, elimination is made of intra-group income and costs, shareholdings, intra-group balances and dividend and realized and unrealized profits or losses on transactions between the consolidated companies.

The carrying amount of equity-accounted investments is tested for impairment if indications of impairment exists.

Foreign currency translation
Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Revenue

Revenue from sale of services are recognised at the stage of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Group. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Notes

1. Accounting policies (continued)

Revenue is measured as the fair value of the consideration received or receivable. Revenue is measured exclusive of VAT, taxes etc. charged on behalf of third parties and less any commissions and discounts, rebates granted and returns in connection with sales.

Performance obligations
The group fulfil their performance obligations upon delivery at one point in time or over a very short period of time. The payment terms follow the industry and fall due 20 days after month end. No contracts have a financing element and no contracts comprise variable consideration elements. The group has no obligations for returns, refunds and no warranties have been given.

Revenue comprise of two segments, resources and logistics. There are no difference in regards to performance obligations in the segments.

Contract assets and liabilities
Performance obligations are fulfilled at one point in time or over a very short period of time, why no contract assets are recognised. The group does not receive prepayments and deposits, why no contract liabilities are recognised.

Raw materials and consumables
Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials and consumables.

Other external expenses
Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses
Staff expenses comprise wages and salaries as well as payroll expenses.

Other income and expenses
Other income and other expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Financial income and expenses
Financial income and expenses include interests, financial gains and expenses, debt, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as additional payments and repayment under the tax prepayment scheme.

Notes

1. Accounting policies (continued)

Income tax and deferred tax

The company is jointly taxed with Danish Group enterprises. The Danish income tax payable is allocated between the jointly taxed Danish companies based on their proportion of taxable income (full absorption including reimbursement of tax deficits). The jointly taxed companies are taxed under the Danish Tax Payment Scheme. Additions, deductions and allowances are recognised under financial income or financial costs.

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes

1. Accounting policies (continued)

Business combinations

The acquisition method of accounting is used to account for all business combinations. The consideration transferred for the acquisition of a subsidiary comprises the:

· Fair values of the assets transferred
· Liabilities incurred to the former owners of the acquired business
· Equity interests issued by the group
· Fair value of any asset or liability resulting from a contingent consideration arrangement, and
· Fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the (1) consideration transferred, (2) amount of any non-controlling interest in the acquired entity and (3) acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Goodwill

On initial recognition, goodwill is measured and recognised as the excess of the cost of the acquired company over the fair value of the acquired assets, liabilities and contingent liabilities, as described under Business Combinations.

Notes

1. Accounting policies (continued)

On recognition of goodwill, the goodwill amount is allocated to those of the Group's activities that generate separate cash flows (cash-generating units). The determination of cash-generating units is based on the Group's management structure and internal financial management and reporting.

Goodwill is not amortised, but is tested for impairment at least once a year.

Intangibles and development projects
Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities. Borrowing costs that are attributable to the development projects are added to the costs of the assets during the period that is required to complete and prepare the asset for its intended use.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the Group can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 7 years.

Amortisation of intangible assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values over their estimated useful lives, as follows:

Customer contracts	3-7 years
Development projects (IT)	5 years

Property, plant and equipment
Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any costs directly attributable to the acquisition until the time when the asset is available for use. Borrowing costs that are attributable to the construction of property, plant and equipment are added to the costs of the assets during the period that is required to complete and prepare the asset for its intended use.

Notes

1. Accounting policies (continued)

Expenditures for repairs and maintenance of property, plant and equipment is charged to the profit and loss of the year in which they were incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values over their estimated useful lives, as follows:

Production buildings	20-30 years
Other fixtures and fittings, tools and equipment	4-15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Items of property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains and losses arising from disposal of property, plant and equipment are calculated as the difference between the sales price less sales costs and the carrying amount at the time of sale.

Gains and losses are recognised in the profit and loss as other income or other expenses.

Accounting estimates
In financial year 2017/18, the depreciation period for land and buildings and fixtures and fittings, tools and equipment was changed. Land and buildings and fixtures and fitting, tools and equipment are now depreciated over a longer period as this reflects the useful lives of the assets.

The change of the depreciation period have had a positive impact on the year result on DKK 15 million.

The change of the depreciation period is a change of accounting estimate; thus, comparative figures have not been restated.

Leases and lease obligations
Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Notes

1. Accounting policies (continued)

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease obligation
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and restoration costs.

Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

Impairment of non-current assets

The carrying amounts of intangible assets and property, plant and equipment are written down immediately to the recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An impairment loss is recognised in the income statement when the impairment is identified. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level at which cash flows are separately identifiable (cash-generating units).

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value. The net realisable value of inventories is calculated at the amount expected to be generated by sale in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales prices. The cost of goods for resale, raw materials and consumables equals landed cost.

Receivables

On initial recognition, receivables are measured at fair value, and subsequently they are measured at amortised cost. Receivables are written down for expected losses.

Prepayments

Prepayments comprise prepaid expenses relating to rent, insurance premiums, subscriptions and interests.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand. The cash flow statement cannot be immediately derived from the balance sheet.

Notes

1. Accounting policies (continued)

Equity

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deductions, net of tax, from the proceeds.

Dividend distribution

Proposed dividends are disclosed as a separate item under equity.

Borrowings and borrowing costs

Borrowings are recognised on the raising of a loan at cost, equalling fair value of the proceeds received, and net of transaction costs incurred. Subsequently, borrowings are measured at amortised cost. Included in borrowings are subordinated loans, which are subordinated all other creditors.

General and specific borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

Provisions

Provisions comprise legal claims, warranties, costs necessary to clean, sort and dispose received soil and waste and obligations to re-establish land and buildings. Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Notes

1. Accounting policies (continued)

Other financial liabilities
Other financial liabilities, including bank and financial loans, trade and other payables, are on initial recognition measured at fair value. The liabilities are subsequently measured at amortised cost.

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

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments. Cash flows from financing activities comprise cash flows from the raising and repayment of long term debt as well as payments to and from shareholders.

Notes

2. Critical accounting estimates and judgements

In the preparation of the consolidated financial statements according to IFRS, Management is required to make certain estimates as many financial statement items cannot be reliably measured, but must be estimated as the value of assets and liabilities often depends on future events that are somewhat uncertain.

The judgments, estimates and assumptions made are based on historical experience and other factors that Management considers to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise. The most critical judgments, estimates and assumptions for the individual item is described below.

Other provisions - Waste disposal and restoration of land

The Groups activities includes receiving and disposal of soil and waste from the industrial sector. The provision represent the cost, that is necessary to bear, to cleanse, sort and dispose received soil and waste at the balance sheet date.

At 30 September 2018, the carrying amount for this provision is DKK 57.4 million (2017: DKK 39.3 million).

Notes

3. Revenue and segment information

Revenue - 2017/18	Resources segment	Logistics segment	Segment eliminations	2017/18
	TDKK	TDKK	TDKK	TDKK
Revenue	395.077	407.257	(86.488)	715.846
Total	**395.077**	**407.257**	**(86.488)**	**715.846**

Revenue - 2016/17	Resources segment	Logistics segment	Segment eliminations	2016/17
	TDKK	TDKK	TDKK	TDKK
Revenue	318.941	311.670	(60.310)	570.301
Total	**318.941**	**311.670**	**(60.310)**	**570.301**

The entire revenue in 2017/18 & 2016/17 is derived from Denmark. All assets in both segments are located in Denmark.

There was no revenue recognised in the current reporting period that related to performance obligations that were satisfied in a prior year.

Notes

	2017/18 TDKK	2016/17 TDKK
4. Staff costs		
Wages and salaries	186.611	150.878
Pensions	12.576	10.021
Other social security costs	4.543	3.442
Other staff costs	868	1.428
	204.598	**165.769**
Average number of employees	378	326

Key Management Compensation

Key Management consists of Executive Board and other key personnel. The compensation paid or payables to key management for employee services is shown below:

	2017/18 TDKK	2016/17 TDKK
Wages and salaries	5.012	3.353
Pensions	87	36
Termination benefits	0	2.912
Share-based payments	0	0
	5.099	**6.301**

Included in the above figures compensation for the Executive Board in the Parent Company comprise TDKK 100 (2016/17: TDKK 100).

Share incentive plan for key management

In order to retain the Groups Key management personnel, Key management personnel has been offered to become shareholders of the Reconor Group by acquiring shares in MH Gruppen MidCo ApS.

The scheme set-forth that shares are traded on market values. Reference is made to note 26 Share based payments.

During 2017/18 two shareholders ceased employment in the Reconor Group. Both sold their shares to MH Gruppen TopCo ApS (2016/17: three shareholders sold their share to MH Gruppen Topco ApS).

In 2017/18 three new members of key management became shareholders (2016/17: nil).

Notes

	2017/18 TDKK	2016/17 TDKK
5. Amortisation and depreciation		
Amortisation	5.490	0
Depreciation	43.905	52.111
	49.395	**52.111**
Classified as:		
Depreciation and amortisation of intangible and fixed assets	49.395	52.111
	49.395	**52.111**
6. Financial income		
Other financial income	555	320
Exchange gains	1	0
	556	**320**
7. Financial expenses		
Other financial expenses	85.824	66.696
Interest to group enterprises	42.567	38.454
Exchange loss	105	0
	128.496	**105.150**
8. Tax on profit for the year		
Current tax:		
Current tax on profits for the year	13.162	26.645
Current tax on profits for previous years	(52)	0
Deferred tax on profit for the year and previous years	3.293	(11.784)
	16.403	**14.861**
Calculated 22.0% tax on profit for the year before income tax	(5.226)	(9.907)
Tax effects of:		
Non-taxable income	(26)	(16)
Non-deductible expenses	21.328	21.694
Adjustment of tax relating to previous years	0	0
Other	327	3.090
	16.403	**14.861**
Effective tax rate	-69%	-33%

Tax rate is significantly affected by the Group's interest rate reduction limitations according to the Danish tax legislation.

Notes

9. Acquisition of companies and operations

On 4 October 2017, the Reconor Group acquired the Mijodan Group.

The Mijodan Group recycles different types of waste products and ensure a circular usage of materials such as gypsum, sludge and others.

The Group had previously been under private ownership and have a combined staff of around 20.

	Mijodan Group	**City Container Jylland A/S**
	Fair value of acquisition 2017/18 TDKK	**Fair value of acquisition 2016/17 TDKK**
Intangible assets	11.987	1.424
Tangible assets	38.448	55.020
Financial assets	62	0
Inventories	105	159
Receivables	6.035	9.243
Cash and bank balances	6.691	36
Borrowings	(4.999)	(35.642)
Deferred income tax liabilities	(2.841)	(1.379)
Payables	(6.738)	(10.093)
Provisions	(12.383)	(1.469)
Acquired net assets	**36.367**	**17.300**
Goodwill	**46.956**	**7.700**
Cash flow for acquisition:		
Cash payment	**53.323**	**25.000**
Deferred cash payment	**30.000**	**0**
Less cash and cash equivalents in acquired business	(6.691)	(36)
Cash outflow for acquisition	**76.632**	**24.964**

The allocation of fair values is final.

Notes

9. Acquisition of companies and operations (continued)

Mijodan Group
Recognised revenue related to the acquisition amounts to DKK 68 million in 2017/18. In 2017/18, the acquisition had a positive effect on earnings for the Reconor Group. The effect on a full year basis is considered the same.

The transaction costs related to the acquisition amount to approximately DKK 3.5 million.
Goodwill relates to the expected synergies between the Group entities and future earnings.

Goodwill is not tax deductible.

City Container Jylland A/S
In June 2017 the logistic company Lotra A/S, now named City Container Jylland A/S, was acquired for a net consideration of DKK 25m. Recognised revenue, on a full year basis 2016/17 are estimated to DKK 62 million.

In 2016/17 and in 2017/18, the acquisition had a minor positive effect on earnings for the Reconor Group.

Goodwill relates to the expected synergies between the Group entities and future earnings.

Notes

10. Intangible assets

	Customer relations TDKK	Software TDKK	Completed development projects TDKK	Development projects in progress TDKK	Goodwill TDKK
Cost:					
At 01.10.2017	**1.212**	**0**	**6.230**	**2.773**	**855.840**
Additions during the year	11.987	2.857	0	877	46.956
Disposals during the year	0	0	0	0	0
Transfer during the year	0	9.003	(6.230)	(2.773)	0
At 30.09.2018	**13.199**	**11.860**	**0**	**877**	**902.796**
Amortisation and impairment:					
At 01.10.2017	**0**	**0**	**0**	**0**	**61.217**
Amortisation for the year	4.238	1.218	0	0	0
Impairment for the year	0	0	0	0	0
Reversals regarding disposals	0	0	0	0	0
Transfer during the year	0	0	0	0	0
At 30.09.2018	**4.238**	**1.218**	**0**	**0**	**61.217**
Carrying amount 30.09.2018	**8.961**	**10.642**	**0**	**877**	**841.579**
Cost:					
At 01.10.2016	**0**	**0**	**0**	**4.384**	**899.910**
Additions during the year	1.212	0	0	4.619	19.823
Disposals during the year	0	0	0	0	(63.893)
Transfers during the year	0	0	6.230	(6.230)	0
Adjustment prior year	0	0	0	0	0
At 30.09.2017	**1.212**	**0**	**6.230**	**2.773**	**855.840**
Amortisation and impairment:					
At 01.10.2016	**0**	**0**	**0**	**0**	**61.217**
Amortisation for the year	0	0	0	0	0
Impairment for the year	0	0	0	0	0
Reversals regarding disposals	0	0	0	0	0
At 30.09.2017	**0**	**0**	**0**	**0**	**61.217**
Carrying amount 30.09.2017	**1.212**	**0**	**6.230**	**2.773**	**794.623**

For a specification of additions regarding business combinations a reference is made to note 9 "Acquisition of companies and operations".

Notes

10. Intangible assets (continued)

Goodwill

Goodwill has been subject to an impairment test, which has been approved by Group management. The impairment test performed per 30 September 2018 revealed no need for impairment of goodwill.

Goodwill has been tested on each identified cash generating unit. The Reconor Group have two separate cash generating unit, represented by "Resources" and "Logistics".

In the calculation of the value in use of cash generating unit, future free net cash flow is estimated based on Management-approved budgets and financial forecasts.

The expected future net cash flow is based on budgets for 2018/19 and projections for 2019/20 approved by Management. The key parameters in the calculation of the value in use are revenue, earnings, working capital, capital expenditure, discount rate and the preconditions for the terminal value.

The split of goodwill between the segments Resources and Logistics and key assumptions, in the form of, long term growth rate and discount rate used in the value-in-use calculations are as follows:

Assumptions at 30.09.2018

	Resources	**Logistics**
Marginal tax rate (%)	22,0%	22,0%
Long term growth rate (%)	1,5%	1,5%
Pre-tax discount rate (%)	9,1%	10,7%
Goodwill	589.105	252.474

Description of assumptions

Average sales growth is the average annual growth rate over the two-year forecast period. It is based on past performance and management's expectations of market development.

The development of average sales is expected to be realised based on all the Group's activities, Resources and Logistics is supported by a documented increasing level of activity with the Group's existing customers and the expectation and a general increase in the market.

Industry reports show that construction market development will increase up to 2020.

EBITDA margin is the average margin as a percentage of revenue over the two-year forecast period. It is based on the current sales margin levels and expectations to sales mix and the expectation that the budgeted increasing level of activity will have a positive spill-over effect on the Company's EBITDA margin.

Marginal tax rate is the expected rate over the two-year forecast period. It is based on current Danish tax legislation.

Notes

10. Intangible assets (continued)

Sensitivity to changed assumptions

The calculated value in use for each cash-generating unit is considerably higher than the carrying amount, and the prepared impairment test shows that goodwill and other intangible assets are not impaired. In Management's opinion, no reasonable likely change to the above-mentioned assumptions will imply that the carrying amount of each cash-generating unit will exceed the value in use significantly.

Other intangible assets

Customer relations has been recognised as a separate asset when acquiring businesses. Development projects and development projects in progress mainly cover IT Projects.

Notes

11. Property, plant and equipment

	Land and buildings TDKK	Other fixtures and fittings, tools and equipment TDKK	Property, plant and equipment in progress TDKK	Total TDKK
Cost:				
At 01.10.2017	**224.591**	**235.343**	**7.216**	**467.150**
Additions during the year	28.192	66.786	0	94.978
Disposals during the year	(221)	(28.431)	(7.216)	(35.868)
At 30.09.2018	**252.562**	**273.698**	**0**	**526.260**
Depreciation and impairment:				
At 01.10.2017	**23.417**	**64.926**	**0**	**88.343**
Depreciation for the year	14.943	28.962	0	43.905
Impairment for the year	0	0	0	0
Reversals regarding disposals	0	(23.521)	0	(23.521)
At 30.09.2018	**38.360**	**70.367**	**0**	**108.727**
Carrying amount 30.09.2018	**214.202**	**203.331**	**0**	**417.533**
Cost:				
At 01.10.2016	**206.236**	**172.984**	**7.216**	**386.436**
Additions during the year	19.355	80.473	0	99.828
Disposals during the year	(1.000)	(18.114)	0	(19.114)
Adjustment prior year	0	0	0	0
At 30.09.2017	**224.591**	**235.343**	**7.216**	**467.150**
Depreciation and impairment:				
At 01.10.2016	7.421	43.461	0	50.882
Depreciation for the year	15.996	36.115	0	52.111
Impairment for the year	0	0	0	0
Reversals regarding disposals	0	(14.650)	0	(14.650)
At 30.09.2017	**23.417**	**64.926**	**0**	**88.343**
Carrying amount 30.09.2017	**201.174**	**170.417**	**7.216**	**378.807**

For a specification of additions regarding the implementation of IFRS 16 and business combinations a reference is made to note 9 "Acquisition of companies and operations" and note 12 "Leases".

Notes

12. Leases

Amounts recognised in the balance sheet

The balance show the following amounts relating to leases:

	2017/18 TDKK	2016/17 TDKK
Right-of-use assets		
Land and buildings	39.582	48.378
Equipment	147.217	140.644
	186.799	**189.022**
Lease liability		
Current	40.002	43.261
Non-current	191.244	224.073
	231.246	**267.334**

Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2017/18 TDKK	2016/17 TDKK
Depreciation charge of right-of-use assets		
Land and buildings	(8.796)	(8.796)
Equipment	(22.219)	(29.807)
	(31.015)	**(38.603)**
Interest expenses relating to recognised leases at the balance sheet	8.215	8.440
Expenses relating to short-term leases	100	100
Expenses relating to low-value-assets (that are not short-term leases)	0	0
Expense relating to variable lease payments (not included in lease liabilities)	0	0
	8.315	**8.540**

The group does not have significant short-term leases or low-value assets related to lease agreements. Combined such lease payments are estimated to be approximately DKK 100k (2016/17: DKK 100K).

Notes

12. Leases (continued)

Amounts recognised in the balance sheet

The balance show the following amounts relating to leases:

	Land and buildings TDKK	Equipment TDKK	Total TDKK
Right-of-use assets			
Carrying amount 1 October 2017	48.378	140.644	189.022
Effect of adoption of IFRS 16	0	0	0
Additions	0	28.792	28.792
Depreciation for the year	-8.796	-22.219	-31.015
Carrying amount 30 September 2018	**39.582**	**147.217**	**186.799**

	Land and buildings TDKK	Equipment TDKK	Total TDKK
Right-of-use assets			
Carrying amount 1 October 2016	0	85.569	85.569
Effect of adoption of IFRS 16	57.174	0	57.174
Additions	0	84.882	84.882
Depreciation for the year	-8.796	-29.807	-38.603
Carrying amount 30 September 2017	**48.378**	**140.644**	**189.022**

Notes

13. Deferred tax	2017/18 TDKK	2016/17 TDKK
Deferred tax at 01.10.2017	10.613	3.893
Deferred tax recognised in the income statement	(3.293)	8.099
Business acquisition	(2.841)	(1.379)
Adjustment prior year	1.711	0
Deferred tax recognised in other comprehensive income	0	0
Deferred tax at 30.09.2018	**6.190**	**10.613**
Deferred tax relates to:		
Intangible assets	(794)	1.897
Property, plant and equipment	2.506	(8.231)
Amortisation	(25)	2.009
Financial contracts	0	43
Provisions	(7.676)	(6.331)
Trade receivables	(183)	0
Loss carry forwards	(18)	0
Transferred to deferred tax asset	6.190	10.613
	0	**0**
Of which presented as deferred tax assets	6.190	10.613
Of which presented as deferred tax liabilities	0	0

The Company has recognised deferred income tax assets of TDKK 6.190 (2016/17: TDKK 10.613). The Company expect to use the deferred tax asset in future income.

There a no limitations on the use of the temporary differences forwards.

14. Inventories	2017/18 TDKK	2016/17 TDKK
Raw materials and consumables	8.250	3.882
Finished goods and goods for resale	0	0
Total inventories	**8.250**	**3.882**
Write down on inventory	0	0
Total net inventories	**8.250**	**3.882**

Notes

15. Trade receivables

	2017/18 TDKK	2016/17 TDKK
Trade receivables and other receivables at 30 September	83.986	94.224
Less provision for impairment of trade receivables	(2.485)	(3.029)
Trade receivables net	**81.501**	**91.195**
Movement on the Company's provision for impairment of trade receivables are as follows:		
Opening balances	(3.029)	(2.706)
Utilised during the year	3.029	1.556
Change in provision during the year	(2.485)	(1.879)
Trade receivables at 30 September	**(2.485)**	**(3.029)**

	2017/18 TDKK	2016/17 TDKK
Allocation of receivables past due but not impaired by maturity period are as follows:		
Up to 3 months	9.474	12.627
More than 3 months	8.181	8.877
Overdue net receivables at 30 September	**17.655**	**21.504**

Expected credit losses

The group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information. The credit risk is generally considered immaterial.

Notes

16. Share capital

Changes in share capital	2017/18 Nominal share capital	2016/17 Nominal share capital
Share capital opening	7.217.500	7.217.500
Shares issued during the year	4.999.994	0
Share capital	**12.217.494**	**7.217.500**

The share capital consists of:	Number of shares	Number of shares
Common shares - Nom. DKK 1 per share	7.217.500	7.217.500
Preference A shares - Nom. DKK 1 per share	4.999.994	0
Share capital	**12.217.494**	**7.217.500**

All shares have nominal value of DKK 1.

The preference A shares does not have any voting rights and common shares have voting rights.

Capital management
The group's objectives when managing capital are to secure the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital. Any surplus liquidity is used to reduce debt.

The Executive Board monitors the share and capital structure to ensure that the group's capital resources support the strategic goals.

Notes

17. Provisions

	2017/18 TDKK	2016/17 TDKK
Restoration of land		
Provisions 1 October	21.000	21.000
Additions during the year	0	0
Additions by business acquisition	0	0
Reversals during the year	0	0
Provisions 30 September	**21.000**	**21.000**

Provisions includes obligations for restoration of land.

The provision represent the best estimate of the cost necessary to restoration of land. The obligation is due at the time of sale or closure of the site. Information regarding the figures and the expected timing is disclosed in note 20.

	2017/18 TDKK	2016/17 TDKK
Waste disposal		
Provisions 1 October	18.292	39.053
Additions during the year	23.973	16.823
Additions by business acquisition	12.383	1.469
Utilised during the year	(18.292)	(39.053)
Provisions 30 September	**36.356**	**18.292**

The Groups activities includes receiving and disposal of soil and waste from the industrial sector. The provision represent the best estimate of the cost necessary to bear, to cleanse, sort and dispose received soil and waste at the balance sheet date. The provision falls due continuously, as a part of the company's daily operations. Information regarding the figures and the expected timing is disclosed in note 20.

Notes

18. Related parties

The party exercising control of MH Gruppen TopCo ApS' is its majority shareholder, Agilitas MH Gruppen 2015 Fund L.P., via its holding in MH Gruppen Holding S.á.r.l. (Luxembourg).

Other related parties comprise MH Gruppen TopCo ApS' Executive Board and key management.

The following transactions were carried through with related parties:

• The Reconor Group has paid DKK 3 million in fees for services rendered to Agilitas 2013 Private Equity GP LP (2016/17: DKK 3m). Agilitas 2013 Private Equity GP LP is the general partner of Agilitas 2013 Private Equity Fund, L.P., a shareholder of MH Gruppen TopCo ApS.

• Agilitas 2013 Private Equity Fund L.P., an indirect shareholder of MH Gruppen TopCo ApS and a subordinated loan note holder, converted DKK 103.1m of subordinated loans to equity on 30 September 2018. The balance on the loan to Agilitas 2013 Private Equity Fund L.P. at 30 September 2018 is DKK 48.4m.

• Agilitas MH Gruppen 2015 Fund L.P., an indirect shareholder of MH Gruppen Topco ApS and a subordinated loan note holder, converted DKK 160.8m of subordinated loans to equity on 30 September 2018. The balance on the loan to Agilitas MH Gruppen 2015 Fund L.P. at 30 September 2018 is DKK 74.8m.

• Minority shareholders of MH Gruppen Topco ApS, converted DKK 3.5m of subordinated loans to equity on 30 September 2018.

• MH Gruppen TopCo ApS has expensed interests of DKK 42 millions on loans to Agilitas 2013 Private Equity Fund L.P. and Agilitas MH Gruppen 2015 Fund L.P. (2016/17: DKK 38 million).

• Transactions with key management personnel consist of remuneration, which is disclosed in note 4.

• Transactions with key management personnel related to sale and purchase of shares amounts to TDKK 1.876 (sale) and TDKK 1.812 (purchase).

No other transactions have taken place during the year with Executive Board, major shareholders or other related parties.

Notes

19. Commitments and contingent liabilities

Joint taxation scheme

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc. of the Group, MH Gruppen TopCo ApS is the management company for the joint taxation.

The total amount of corporation tax payable is TDKK 19.306 for 2017/18.

Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Commitments

Land and buildings provided as security vis-à-vis for mortgage debt amount to DKK 41,1 million (2016/17: DKK 36,6 million) out of mortgage debt of DKK 6,5 million (2016/17: DKK 3,7 million).

Credit institutions has a claim on Groups selected debtors, which are included in the "Trade receivables" asset. Negative pledge have been registered.

Notes

20. Financial risk management

Financial risk factors
As a result of operations, investments and financing, the Reconor Group is exposed to interest rate changes and customer credit exposure.

The Reconor Group manages the financial risks centrally and coordinates the Group's cash management, including funding of investments and cash management.

The Group have a low risk profile, and is only exposed to financial risks in connection with its commercial activities.

Market risk
Foreign exchange risk
Foreign exchange risk arises due to imbalances between revenue and expenses in individual currencies. The Group operates in all material aspects only in Denmark, consequently all cash flows and monetary positions are denominated in DKK. Thus the currency exposure is considered minimal.

Interest rate risk
The Reconor Group have borrowings from Credit institutions, shareholders and leasing arrangements. All borrowings have a fixed interest rate. Borrowings issued at fixed rates expose the Company to fair value interest rate risk, which will not have any impact on the recognized values.

The Company's management monitors the interest fluctuations and consider potential opportunities to refinance positions.

Credit risks
The Group's primary credit exposure is related to trade receivables and cash positions. The Reconor Group has no major exposure relating to one single customer or business partner. The Company's cash and cash equivalents have been invested in secure financial institutions.

The Company manages its credit risk by continuously assessing the credit history of its customers and setting credit terms individually for each client. Individual risks limits are set based on internal ratings in accordance with limits set by the management. Management routinely monitors the credit exposure on customers.

Liquidity risk
The Company manages its liquidity risk by monitoring the changes in working capital and by ensuring adequate funding is in place. Based on the Company's cash management principle - cash concentration.

The Group has loans which is subject to covenant compliance. The includes that the Group has to comply with debt ratios and cash flow ratios. Management continuously monitor and forecast on the ratios. No breach of covenants have occurred.

The Company has undrawn borrowing facilities of DKK 139,5 million, that may be available for future operating activities.

Notes

20. Financial risk management (continued)

Maturity analysis

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivatives	Less than 1 year TDKK	Between 1 and 5 year TDKK	More than 5 years TDKK	Total TDKK
As at 30.09.2018				
Mortgage loans	759	3.096	2.677	6.532
Credit institutions	354	639.913	0	640.267
Provisions	36.356	0	21.000	57.356
Trade payables	63.365	0	0	63.365
Current income tax liabilities	16.313	19.306	0	35.619
Lease obligations	40.002	191.008	236	231.246
Other payables	43.993	33.719	0	77.712
	201.142	**887.042**	**23.913**	**1.112.097**
As at 30.09.2017				
Mortgage loans	338	1.391	2.019	3.748
Credit institutions	13	541.672	0	541.685
Provisions	18.292	0	21.000	39.292
Trade payables	54.713	0	0	54.713
Current income tax liabilities	12.874	25.302	0	38.176
Lease obligations	43.261	216.745	7.328	267.334
Other payables	34.485	0	0	34.485
	163.976	**785.110**	**30.347**	**979.433**

Measurement and fair value hierarchy

All financial assets and liabilities are measured at cost or amortized cost. The carrying amounts for these approximate fair value.

There are no financial derivatives used in 2017/18 or 2016/17.

Notes

	2017/18 TDKK	2016/17 TDKK
21. Fee to auditors appointed at the general meeting		
Audit fee to PwC	585	393
Other assurance engagements	50	0
Tax advisory services	115	101
Non-audit services	1.389	259
	2.139	753

Notes

22. First time adoption of IFRS

The Company has adopted IFRS for its financial accounts with effect from 1 October 2016. The comparative figures for 2016/17 have been restated. Below is shown the impact on equity and comprehensive income.

First time adoption
The Annual Report is the first Annual Report that is presented in accordance with IFRS. The figures for 2016/17 and 2017/18 in the income statement and the balance sheet items as at 1 October 2016 were prepared according to IFRS.

The disclosures required by IFRS 1, First-time Adoption of International Financial Reporting Standards, concerning the transition from Danish GAAP to IFRS are provided below.

Early adoption of IFRS 9, IFRS 15
MH Gruppen TopCo ApS has early adopted IFRS 15 "Revenue from contracts" and IFRS 9 "Financial Instruments", which both mandatory should have been adopted 1 October 2018, no significant changes to accounting policies have been made, when adopting IFRS 9 and IFRS 15.

Regarding IFRS 16 "Leases" a reference is made to the section below.

Exemptions applied
IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. The Company has applied exemptions in relation to IFRS 3 Business Combinations and IFRS 16 Leases.

The group has chosen to elect the exemption to IFRS 3 and therefore not applied IFRS 3 retrospectively to business combinations before 1 October 2016. This choice has the following consequences: classification is the same for previous business combinations and the carrying amount of goodwill is not adjusted, except that depreciations has ceased from 1 October 2016.

For IFRS 16 the group has chosen to use the exemption in relation to measurement of leases. For previous operating leases, a lease obligation corresponding to the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 October 2016. A corresponding amount has been recognised as the right-of-use asset. For financial leases, the amounts at 1 October 2016 has been carried forward for both the lease asset and obligation.

Effect on consolidated cashflow statement
I connection to the adoption of IFRS and specially the first time implementation of IFRS 16, the consolidated cashflow statement for 2017/18 has been affected regarding interest payments 8,3 millions (2016/17 8,5 millions) and depreciation 31,0 millions (2016/17 38,6 millions). Repayments are included in the financing activities and interest payments are included in the cash flow from ordinary activities.

There is no other significant changes.

Notes

22. First time adoption of IFRS (continued)

Reconciliation of equity	1 October 2016 (date of transition to IFRS) TDKK
Equity - according to the Danish Financial Statements Act	**59.877**
Adjustments	
Goodwill	22.894
Leases (property, plant and equipment)	57.174
Trade receivables	70
Provisions (explained below)	(37.466)
Lease obligations	(55.810)
Deferred tax	14.684
Equity - according to IFRS	**61.423**

Reconciliation of total comprehensive income for the year ended 30 September 2017	1 Oct. 2016 - 30 Sep. 2017 TDKK
Total comprehensive income Danish Financial Statements Act	**(98.971)**
Adjustments	
Raw materials and consumables	1.830
Other external costs (leasing)	11.844
Depreciation, amortisation and impairment of intangible and fixed	38.387
Finance costs (leasing)	(3.456)
Income tax	(9.527)
Total comprehensive income - IFRS	**(59.893)**

The comparative figures in the profit & loss statement and the balance sheet has been adjusted with the figures stated above.

Provisions

The adjustment of the provision relates to the acquisition of the group in 2015. At the date of acquisition the provision was calculated using costs which was obviously too low. This adjustment is booked against goodwill, and the excess goodwill is depreciated from the date of acquisition until 1 October 2016. Furthermore provisions includes other adjustments in previous years.

Notes

23. Cash flow statements - Adjustments

	2017/18 TDKK	2016/17 TDKK
Non-cash interests	127.940	104.830
Tax for the year	16.403	19.925
Depreciation	45.353	48.908
Other non-cash movements	(742)	(8.964)
	188.954	**164.699**

24. Cash flow statements - Changes in net working capital

	2017/18 TDKK	2016/17 TDKK
Changes in inventories	-4.263	364
Changes in receivables	17.631	20.465
Changes in trade and other payables	15.447	(24.046)
	28.815	**(3.217)**

25. Cash flow statements - Net Debt

	2017/18 TDKK	2016/17 TDKK
Cash and cash equivalents	73.754	31.296
Borrowings	(646.799)	(545.433)
Lease obligations	(231.246)	(267.334)
Other interest-bearing payables	(33.719)	0
	(838.010)	**(781.471)**

Notes

25. Cash flow statements - Net Debt (continued)

	Cash and cash equivalents	Borrowings	Lease obligations	Other interest-bearing payables	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Net debt at 1 October 2016	**43.595**	**(537.355)**	**(205.187)**	**0**	**(698.947)**
Cash flows	(12.335)	16.922	21.986	0	26.573
Acquisitions	36	(25.000)	(35.462)	0	(60.426)
Restatement on adoption of IFRS	0	0	(48.671)	0	(48.671)
Other changes	0	0	0	0	0
Net debt at 30 September 2017	**31.296**	**(545.433)**	**(267.334)**	**0**	**(781.471)**
Cash flows	35.767	0	36.088	0	71.855
Acquisitions	6.691	(64.999)	0	(26.844)	(85.152)
Other changes	0	(36.367)	0	(6.875)	(43.242)
Net debt at 30 September 2018	**73.754**	**(646.799)**	**(231.246)**	**(33.719)**	**(838.010)**

Notes

26. Share based payments

Employee share scheme
As per 26 November 2015 MH Gruppen TopCo ApS (the company) and certain executive managers and other key employees, entered into a share scheme. Employees included in the share scheme are given the opportunity to purchase shares in the group company MH Gruppen MidCo ApS for a cash consideration of fair value of the shares.

In case of an employee's departure, the company is entitled, but not restricted, to repurchase all shares from the departing employee.

The share scheme was approved by the shareholders at 26 November 2015.

	2017/18 Nominal value TDKK	**2016/17 Nominal value TDKK**
As at 1 October	**520**	**730**
Shares purchased at fair value	195	0
Shares repurchased at fair value	-163	-210
As at 30 September	**552**	**520**

The fair value of the shares has been based on a valuation of the company.

Notes

27. Events after the balance sheet date

1 November 2018 The Reconor Group acquired Hedegaard Miljø A/S. A preliminary purchase price allocation has been prepared.

	Fair value of acquisition
	TDKK
Financial assets	0
Inventories	13
Receivables	2.729
Cash and bank balances	4.563
Borrowings	(11)
Payables	(2.964)
Acquired net assets	**4.330**
Goodwill	**7.000**
Cash flow for acquisition:	
Cash payment	**10.000**
Cash deposit	**1.330**
Less cash and cash equivalents in acquired business	(4.563)
Cash outflow for acquisition	**6.767**

No other events have occurred after the reporting period, that influence the evaluation of the Consolidated Financial Statements.

Notes

28. List of companies

Name	Place of Registered Office	CVR number	Vote and Ownership	Share Capital TDKK	Equity TDKK	Net profit/loss before tax 2017/18 TDKK	Business area
Parent company:							
MH Gruppen TopCo ApS	Farum, Denmark	3691 5609	N/A	12.218	132.973	- 87.933	Other
Subsidiaries:							
MH Gruppen MidCo ApS	Farum, Denmark	3691 5706	96%	12.547	126.542	- 88.161	Other
Reconor A/S	Farum, Denmark	3671 9176	100%	12.537	126.416	- 95.560	Other
City Container Danmark A/S	Lynge, Denmark	2628 3647	100%	11.000	82.741	41.801	Logistics
City Container A/S	Lynge, Denmark	3176 6273	100%	42.000	44.032	255	Logistics
City Container Fyn A/S	Odense, Denmark	2871 4041	100%	500	11.332	2.314	Logistics
City Container Jylland A/S	Kolding, Denmark	2112 1991	100%	500	13.914	424	Logistics
Norrecco A/S	Copenhagen, Denmark	3051 8438	100%	20.000	77.209	46.766	Resources
Norrecco Agerskov A/S	Agerskov, Denmark	2716 9538	100%	500	19.273	8.788	Resources
Mijodan Ejendomme ApS	Agerskov, Denmark	3779 6328	100%	50	315	152	Resources
Norrecco Uge ApS	Agerskov, Denmark	3205 8760	100%	125	9.849	12.589	Resources

The amounts stated above is based on the latest annual report ending 30 September 2018.

Statement of profit and loss (Parent company) 1 October - 30 September

	Notes	2017/18 TDKK	2016/17 TDKK
Gross profit/loss		**(177)**	**(113)**
Income from investments in subsidiaries	2	(87.865)	(92.024)
Finance income	3	75.641	45.802
Finance costs	4	(75.532)	(45.772)
Profit/loss before tax		**(87.933)**	**(92.107)**
Income tax	5	(15)	(25)
Profit/loss for the period		**(87.918)**	**(92.082)**
Distribution of profit			
Retained earnings		(87.918)	(92.082)
		(87.918)	**(92.082)**

Balance sheet (Parent company) 30 September

Assets

	Notes	2017/18 TDKK	2016/17 TDKK
Investments in subsidiaries	6	126.541	0
Receivables from group enterprises		392.507	561.080
Fixed assets investments		**519.048**	**561.080**
Receivables from group enterprises		19.331	9.711
Corporation tax		19.306	1.514
Other receivables		0	1.534
Receivables		**38.637**	**12.759**
Cash and bank balances		**3.384**	**2.472**
Total assets		**561.069**	**576.311**

Liabilities

	Notes	2017/18 TDKK	2016/17 TDKK
Share capital		12.218	7.218
Retained earnings		120.755	(44.541)
Proposed dividend for the year		0	0
Total equity		**132.973**	**(37.323)**
Subordinated loan from owners	7	122.224	349.569
Provisions relating to investments in group enterprises	6	0	43.808
Borrowings	7	270.192	207.311
Current income tax liabilities	7	19.306	0
Total non-current liabilities		**411.722**	**600.688**
Payables to group enterprises	7	0	11
Current income tax liabilities	7	16.313	12.874
Other payables	7	61	61
Total current liabilities		**16.374**	**12.946**
Total liabilities		**428.096**	**613.634**
Total equity and liabilities		**561.069**	**576.311**

Statement of changes in equity (Parent company)

	Share capital TDKK	Share premium account TDKK	Reserve for devel-opment costs TDKK	Retained earnings TDKK	Total TDKK
Equity at 01.10.2016	**7.218**	**0**	**0**	**47.541**	**54.759**
Profit for the period	0	0	0	(92.082)	**(92.082)**
Total profit for the period	**7.218**	**0**	**0**	**(44.541)**	**(37.323)**
Equity at 30.09.2017	**7.218**	**0**	**0**	**(44.541)**	**(37.323)**
Profit for the period	0	0	0	(87.918)	**(87.918)**
Total profit for the period	**0**	**0**	**0**	**(87.918)**	**(87.918)**
Net effect of correction of material misstatements	0	0		(5.704)	**(5.704)**
Buy of minorities	0	0		(3.533)	**(3.533)**
Capital increase	5.000	262.451	0	0	**267.451**
Transfer from share premium account	0	(262.451)	0	262.451	**0**
Equity at 30.09.2018	**12.218**	**0**	**0**	**120.755**	**132.973**

Notes (Parent company)

Notes

1. Accounting policies

General

The financial statements of the parent company MH Gruppen TopCo ApS for the period 1 October – 30 September 2018 have been prepared in accordance with the Danish Financial Statements Act for B enterprises.

The financial statements are presented in Danish kroner (DKK), which is also the functional currency of the company.

The accounting policies are unchanged from last year. The accounting policies are as described below.

Correction of material misstatements

Correction has been made of material misstatements concerning previous years. The Managements of the group enterprises City Container Jylland A/S and Norrecco A/S have become aware of the recognition and measurement of other provisions having been incorrect in previous financial years. Correction has been made in the Company's equity in the Annual Report for 2017/2018 in this respect, and the Company's comparative figures for 2016/17 have been restated accordingly.

In respect of financial year 2016/17, the Company's investments in subsidiaries, income from investments in subsidiaries and profit/loss for the year have been affected positively by DKK 6.076k, and equity at 1 October 2017 has also been affected positively by DKK 6.076k. At 1 October 2016, the Company's equity is negatively affected by DKK 11.780k; investments in subsidiaries have been reduced correspondingly by DKK 11.780k. The total effect of this is that the Company's equity investments at 1 October 2017 have been reduced by DKK 5.704k, and equity is negatively affected by the same amount. The correction of material misstatements concerning previous years has not had any tax effect.

Income statement

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement. Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset 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 out of the Company, and the value of the liability can be measured reliably. Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Notes

1. Accounting policies (continued)

Results of investments in subsidiaries
Income from investments in subsidiaries in the income statement includes the proportionate share of the profit for the year.

Other external expenses
Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Financial income and expenses
Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year
Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity. The Company is jointly taxed with wholly owned Danish subsidiaries. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance sheet
Deferred tax assets and liabilities
Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively. Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity. Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Receivables
Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Notes

1. Accounting policies (continued)

Investments in subsidiaries
Investments in subsidiaries are recognised and measured under the equity method.

The items "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of any remaining value of positive differences (goodwill) and deduction of any remaining value of negative differences (negative goodwill).

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other financial liabilities
Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period. Other debts are measured at amortised cost, substantially corresponding to nominal value.

Notes

	2017/18 TDKK	2016/17 TDKK
2. Income from investments in subsidiaries		
Share of losses of subsidiaries	(88.156)	(93.097)
Gains from purchases and sales of shares	291	1.073
	(87.865)	**(92.024)**
3. Financial income		
Interest received from group enterprises	75.641	45.765
Other financial income	0	37
	75.641	**45.802**
4. Financial expenses		
Interest paid to group enterprises	0	7
Other financial expenses	75.532	45.765
	75.532	**45.772**
5. Tax on profit for the year		
Current tax on profits for the year	(15)	(25)
Current tax on profits for previous years	0	0
Deferred tax on profit for the year and previous years	0	0
	(15)	**(25)**

Notes

	2017/18 TDKK	2016/17 TDKK
6. Investments in subsidiaries		
Cost at 1. October	135.892	135.492
Additions for the year	267.451	400
Disposals for the year	0	0
	403.343	**135.892**
Value adjustments at 1 October	(179.700)	(87.676)
Adjustment prior year	(5.704)	0
Disposals for the year	(3.533)	0
Net profit/loss for the year	(87.865)	(92.024)
	(276.802)	**(179.700)**
Equity investments with negative net asset value transferred to provisions	**0**	**43.808**
Carrying amount at 30 September	**126.541**	**0**
Including goodwill	**6.660**	**0**

Investments in subsidiaries are specified as follows:

Name of company	Place of Registered Office	Share Capital	Vote and Ownership
MH Gruppen MidCo ApS	Farum, Danmark	12.547	96%

Notes

7. Maturity of liabilities

Maturity on long-term debt	Less than 1 year TDKK	Between 1 and 5 year TDKK	More than 5 years TDKK	Total TDKK
As at 30.09.2018				
Subordinated loan from owners	0	0	122.224	122.224
Borrowings	0	0	270.192	270.192
Payables to group enterprises	0	0	0	0
Corporation tax	16.313	19.306	0	35.619
Other payables	61	0	0	61
	16.374	**19.306**	**392.416**	**428.096**
As at 30.09.2017				
Subordinated loan from owners	0	0	349.569	349.569
Credit institutions	0	0	207.311	207.311
Payables to group enterprises	11	0	0	11
Corporation tax	12.874	0	0	12.874
Other payables	61	0	0	61
	12.946	**0**	**556.880**	**569.826**

8. Contingent assets, liabilities and other financial obligations

Contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc. of the Group, MH Gruppen TopCo ApS is the management company for the joint taxation.

The total amount of corporation tax payable is TDKK 19.306 for 2017/18.

Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.