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Birk Centerpark 30
DK-7400 Herning
CVR no. 20 22 26 70

SPECTRE A/S
ORIONVEJ 1, 7430 IKAST
ANNUAL REPORT
1 JANUARY - 31 DECEMBER 2016
35 TH FINANCIAL YEAR

**The Annual Report has been presented and
adopted at the Company's Annual General
Meeting on 15 May 2017**

Conductor

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COMPANY DETAILS

| | |
|----------------------------|---|
| Company | Spectre A/S Orionvej 1 7430 Ikast CVR no.: 70 87 92 12 Established: 20 November 1982 Registered Office: Ikast Financial Year: 1 January - 31 December |
| Board of Directors | Thomas Villum Folmann, Chairman Ole René Graversen Jacob Lundhøj Stubkjær Klausen |
| Board of Executives | Jacob Lundhøj Stubkjær Klausen Jesper Lundhøj Stubkjær Klausen Kenneth Bach Pedersen |
| Auditor | BDO Statsautoriseret revisionsaktieselskab Birk Centerpark 30 7400 Herning |
| Bank | Sydbank Dalgasgade 22 7400 Herning |

STATEMENT BY BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

Today the Board of Directors and Board of Executives have discussed and approved the Annual Report of Spectre A/S for the year 1 January - 31 December 2016.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the the Company's financial position at 31 December 2016 and of the results of the the Company's operations for the financial year 1 January - 31 December 2016.

The Management's Review includes in our opinion a fair presentation of the matters dealt with in the review.

We recommend the Annual Report be approved at the Annual General Meeting.

Ikast, 15 May 2017

Board of Executives

Jacob Lundhøj Stubkjær Klausen Jesper Lundhøj Stubkjær Klausen Kenneth Bach Pedersen

Board of Directors

Thomas Villum Folmann Ole René Graversen Jacob Lundhøj Stubkjær Klausen
Chairman

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Spectre A/S

Opinion

We have audited the Financial Statements of Spectre A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2016 and of the results of the Company operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 Company 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.

Management's Responsibility for the Financial Statements

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

In preparing the Financial Statements, Management is responsible for assessing the 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 Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibility for 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 Company's internal control.

INDEPENDENT AUDITOR'S REPORT

- *Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.*
- *Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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.*

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

Statement on 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 Financial Statements Act.

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

Herning, 15 May 2017

BDO Statsautoriseret revisionsaktieselskab
CVR-nr. 20 22 26 70

Bent Jensen
State Authorised Public Accountant

FINANCIAL HIGHLIGHTS

| | 2016 DKK '000 | 2015 DKK '000 | 2014 DKK '000 | 2013 DKK '000 | 2012 DKK '000 |
|--|------------------|------------------|------------------|------------------|------------------|
| Income statement | | | | | |
| Gross profit/loss..... | 34.565 | 27.193 | 26.050 | 16.760 | 19.449 |
| Operating profit/loss..... | 13.315 | 8.482 | 10.555 | 2.880 | 4.879 |
| Financial income and expenses, net..... | -1.977 | -1.470 | -1.580 | -2.068 | -2.236 |
| Profit/loss for the year before tax..... | 6.958 | 10.764 | 13.095 | 693 | 1.146 |
| Profit/loss for the year..... | 4.254 | 9.108 | 10.897 | 555 | 653 |
| Balance sheet | | | | | |
| Balance sheet total..... | 129.301 | 93.895 | 91.964 | 78.238 | 72.460 |
| Equity..... | 40.177 | 38.211 | 30.762 | 18.543 | 18.279 |
| Investment in tangible fixed assets..... | 182 | 977 | 1.418 | 1.512 | 1.490 |
| Ratios | | | | | |
| Rate of return..... | 20,3 | 15,5 | 21,0 | 6,7 | 10,7 |
| Solvency ratio..... | 31,1 | 40,7 | 33,5 | 23,7 | 25,2 |

The ratios stated in the list of key figures and ratios have been calculated as follows:

| | |
|-------------------|--|
| Rate of return: | $\frac{\text{Profit/loss on ordinary activities} \times 100}{\text{Average invested capital}}$ |
| Invested capital: | $\frac{\text{Intangible fixed assets (ex goodwill) + tangible assets + inventories + receivables + other working current assets - trade payables - other provisions - other long and short term working liabilities}}{\text{Total equity and liabilities, at year end}}$ |
| Solvency ratio: | $\frac{\text{Equity ex. minorities, at year end} \times 100}{\text{Total equity and liabilities, at year end}}$ |

The ratios follow in all material respects the recommendations of the Danish Finance Society.

MANAGEMENT'S REVIEW

Principal activities

The company's activities are the production and marketing of functional clothing, and limited sewing for other companies. The company produces at its own factories in Latvia and Vietnam.

Development in activities and financial position

The Company achieved a profit after tax of DKK ('000) 4.254 which is acceptable. However the profit is lower than 2015, although the turnover has been higher in year 2016. The reasons are described below.

During 2016 Spectre A/S sold the shares in Spectre Vietnam (Joint Venture) to local partner since 2010. This was done with effect from 1st January 2016. The local partner has now taken-over all shares and renamed the Company.

All productions units are now certified according to SA 8000 (CSR), ISO 9001 and ISO 14001.

Profit/loss for the year compared to future expectations

The Company did not reach the profit as expected due to certain reasons.

Year 2016 has been challenged by 2 projects. The Company has made a big extension of the production facilities in Spectre Garment Technologies, Vietnam - 100 % owned by Spectre A/S. Furthermore we have prepared implementation of a complete new ERP platform based on NAV 2016. GO-live was scheduled to 1st October 2016, but postponed to 9th January 2017. The impact on those two projects were higher than planned.

Start-up of new customers and products had effect on the efficiency and capacity especially in the Latvian production units.

Significant events after the end of the financial year

No events of importance for the Company's financial situation have occurred after the end of the financial year. The first months of 2017 came out as expected. New ERP is running according to expectations.

Future expectations

We expect an increase in level of activity for coming year and increasing profit compared with fiscal year 2016.

During 2017 we will continue to build-up production capacity in both Vietnam and Latvia. We are also planning development of a new Production Management Systems to our factories to be implemented during the first part of 2018. This will be based on NAV 2016 platform.

Corporate social responsibility

Our CSR strategy forms the basis for the responsible governance of the company we are trying to preserve as beacon every day. We believe the success of our company is best reached by respecting the sum of interests of our customers, employees, owners and the surrounding society. This focus, which is not only driven by a desire to reach financial goals but also to strive for "higher goals" in terms of the well-being of our employees and leaving a minimum impact on the external environment, is an integral part of Spectre's overall strategy.

2016 has been a year of a change not only in sales and production which has been more unevenly distributed in 2016 compared with previous years, but also with some highlights and milestones within the CSR area: Starting from internal organizational changes, competency building at the production sites in Latvia and Vietnam to create readiness for SA8000 recertification (Latvia), SA8000 1st certification for Spectre Garment Technologies, Vietnam and group wide implementation of ISO14001 environmental management system.

MANAGEMENT'S REVIEW

Corporate social responsibility (continued)

Our focus has been achieving our goals as a sustainable garment company and as our customers' preferred manufacturing partner with deep rooted social responsibility values. As a follow, we have organized ongoing activities within the SA8000 area e.g. improving and strengthening our management system according to the new standard requirements, focus discussions with worker representatives (especially seamstresses) to discuss working condition improvement potential including overtime (OT) topics during peak seasons etc.

Efforts are made to satisfy our customer demands within CSR to conduct internal and third-party CSR audits, cooperating during the follow-up processes and ensuring CSR compliance in all parts of the business and value chain.

Fig 1: CSR Milestones in 2016

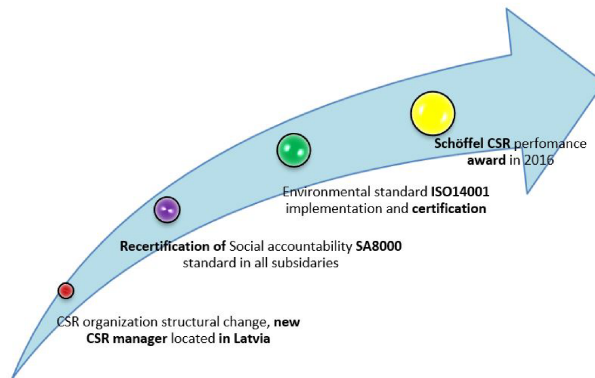


Fig 2: 2016 in Numbers



Spectre's Business Model

We are striving to continuously follow all seven steps of the value chain connected with our business model (as defined below) to ensure our compliance and required governance within all CSR activities.

MANAGEMENT'S REVIEW

Corporate social responsibility (continued)

Fig 3: Spectre's Business Model



Spectre CSR general issues and focus in 2016:

1. Overtime (OT): Due to the uneven loading of our production with unutilized capacity in the 1st half of 2016 and overloading of our production in the 2nd half of 2016, we have not been able to reach a successful delivery performance. The peaks and lows have been more pronounced compared with previous years and it is an ongoing challenge to plan and balance OT. This will be an area of increased focus in the future.

During OT period meetings with seamstresses and their representatives was organized to agree on voluntary way of working and still to be compliant with local legislation and international regulations. It will be continuous best practice while managing OT.

2. Living wages: We are ensuring that the salaries of our employees meet workers' basic needs to maintain a safe, decent standard of living. Ensuring living wages is a core part of the SA8000 Standard and in corporation with our customers, international organizations e.g. we are carefully monitoring our employee compensation level at all levels of the organization.
3. Suppliers and sub-suppliers compliance: Spectre expects that our suppliers of goods and services comply with fundamental social and environmental standards, and we seek to prevent any violations. Our requirements are primarily derived from core labor standards of the ILO (International Labor Organization), SA8000 requirements and from Spectre's Code of Conduct. Spectre suppliers are committed to a behavior that is in line with our Values, our Social standards as well as with internationally accepted CR standards such as the UN Global Compact (e.g., no bribery, no child labor, compliance to local environmental protection).

We have started the implementation of Supplier Self Assessments and we are executing audits at selected (high risk) suppliers to check if they follow our social standards and other applicable standards and regulatory requirements.

Our goal is to produce 85% of our total demand in our own factories and the remaining 15% with subcontractors. Due to short term increases of production demand and large seasonal fluctuations it is challenging reaching this goal.

Due to rising production demands towards the summer of 2016 we were in need of booking capacity with our sub-contractors in Latvia in 2016, therefore additional focus has been put to our partner/sub-contractor compliance in social and environmental matters in 2016 and continuously in 2017.

MANAGEMENT'S REVIEW

Corporate social responsibility (continued)

4. **CSR audits:** During the whole year Spectre factories have been inspected 17 times according to different social audits. Efforts are made to satisfy our customer demands within CSR to conduct internal and third-party CSR audits, cooperating during follow up processes and ensuring CSR compliance in the whole chain of processes.

One of the goals of our SA8000 certification is to reduce the number of third party audits initiated by our customers since we are obliged having semi-annual audits by external auditors. There is a potential to save time and resources on both customer side and on our side by sharing our existing auditing reports and experience with our customers.

1 Environment

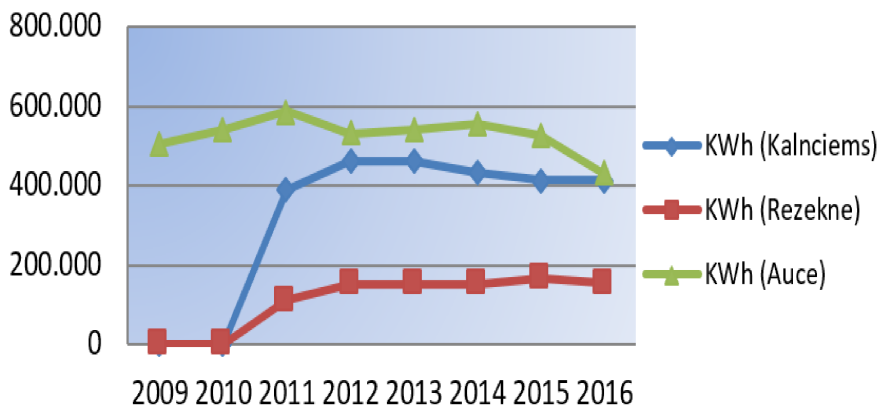
We strive to reduce our impact on the environment in any relevant way. As a logical step, in the autumn 2016 we were successfully certified according to the ISO14001 standard. We are proud having professional and certified management systems in place for key areas such as quality, social compliance and now external environment. The new management system enables us gradually and systematically to learn about environmental aspects and how to handle them. Additionally, it is our goal realizing future cost savings via efficient energy management and optimum waste management.

Our Latvian factory EK Auce is consuming electricity only from renewable energy sources which will be an increased focus area for the whole group in the future, although currently there are very limited possibilities choosing renewable energy forms in Vietnam.

The charts below illustrate our chosen measures for environmental issues and trends in environmental management of different resources:

Latvia

Fig. 4a: Energy consumption by location in KWh, Latvia

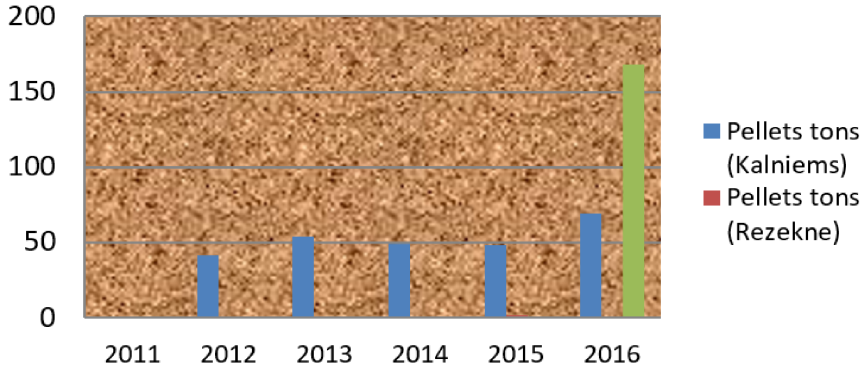


We set targets and carry out focused activities towards energy saving such as shifting to LED bulbs, awareness campaign to switch off the light, solar station on the roof in our Kalnciems plant etc.

MANAGEMENT'S REVIEW

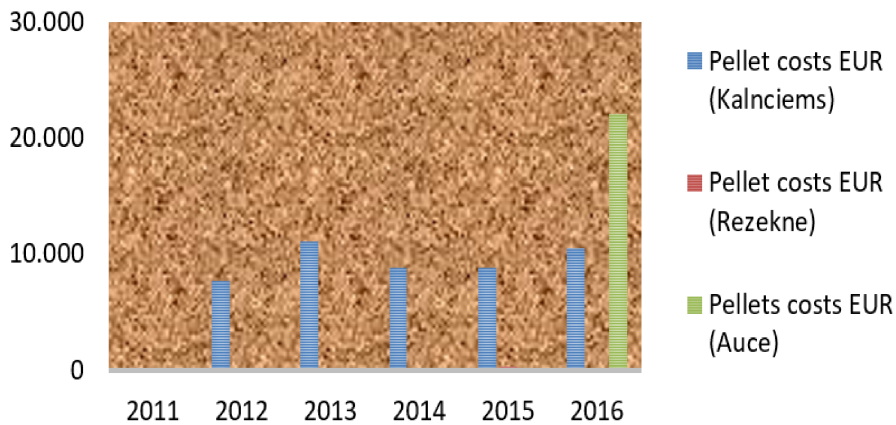
Corporate social responsibility (continued)

Fig 5a: Pellets consumption by location in tones, Latvia



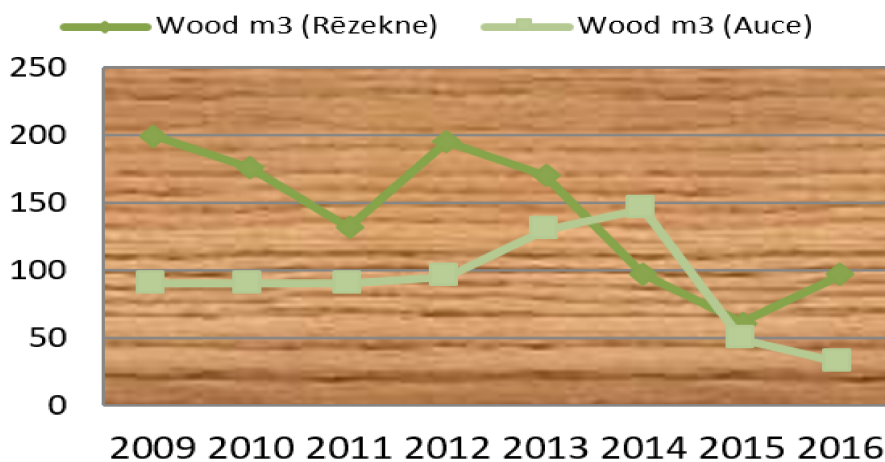
Pellets consumption has increased substantially in 2016 due to our full switch from coal to pellets, achieving more environmental friendly resource consumption

Fig 5b: Pellets costs by location in EUR, Latvia



Pellet costs correlates with consumption due to insignificant price changes. Our plant in Auce started consuming pellets instead of coal from 2016

Fig 6a: Wood consumption by location in m3, Latvia



Wood as energy resource has been used in two locations in Latvia
 1) Spectre Latvia's Rezekne branch which is operated in rented premises;
 2) EK Auce has switched heating resources from coal to wood and pellets in 2016

Fig. 6b: Wood costs by location in EUR, Latvia

MANAGEMENT'S REVIEW

Corporate social responsibility (continued)



Our new subsidiary, Spectre Garment Technologies, has had a successful start with the employment of 200+ new colleagues during 2016. The existing building has been fully utilized since May 2016 and the production process has been effective since March 2016. As of 2016 all measures have been monitored, equally as in all our factories. The factory has already been certified according to ISO9001 and ISO14001 and beginning of 2017 also according to SA8000 standard

Fig. 7a: Coal consumption by location in tones, Latvia

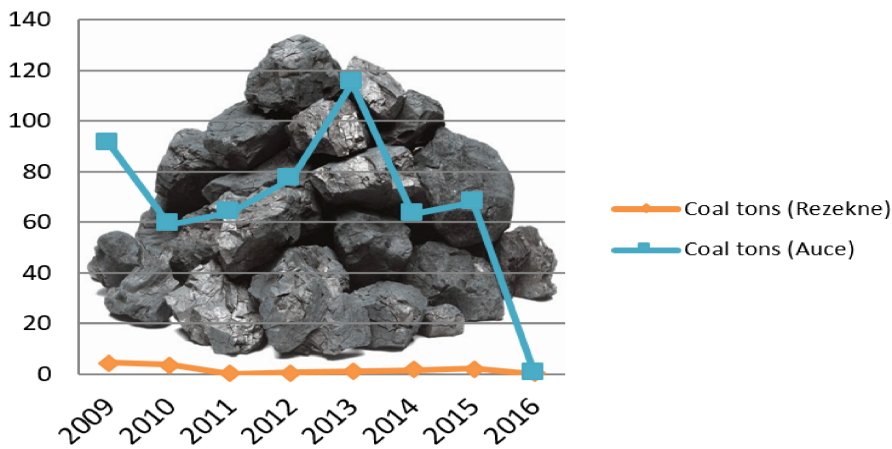
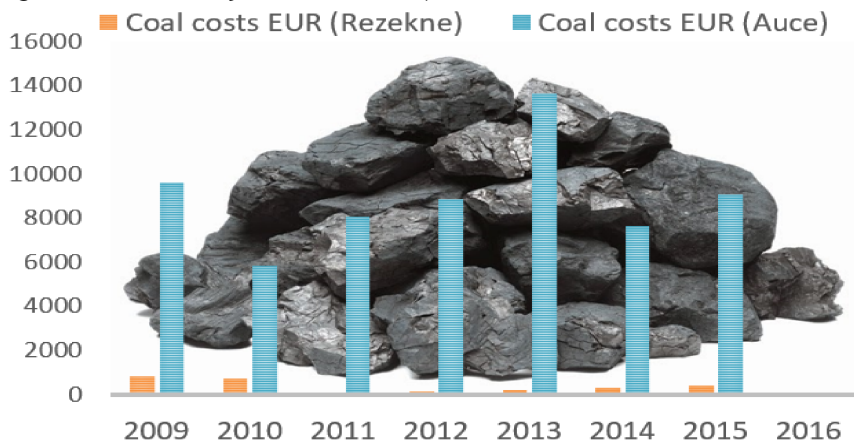


Fig. 7b: Coal costs by location in EUR, Latvia



Our investment in a new and more efficient heating system at EK Auce in 2015 has helped improving our energy profile in a greener direction since it has enabled us replacing coal with pellets from 2016. Our Latvian factories have fully stopped consuming coal for heating purposes

We realize smaller and larger goals that reduce the impact on the environment in our daily work e.g.:

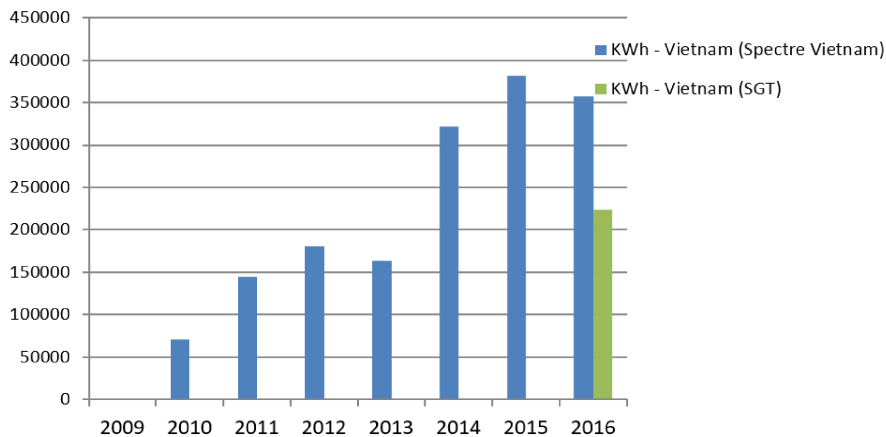
MANAGEMENT'S REVIEW

Corporate social responsibility (continued)

- ⇒ Electricity economy and savings (as mentioned on p4);
- ⇒ When purchasing goods, we give priority to energy-efficient and environmentally friendly products and equipment, that will help reducing the impact on the environment on a daily basis;
- ⇒ Instead of small bottles Spectre Latvia uses large plastic bottles, which is reducing the number of plastic waste;
- ⇒ Various other goals

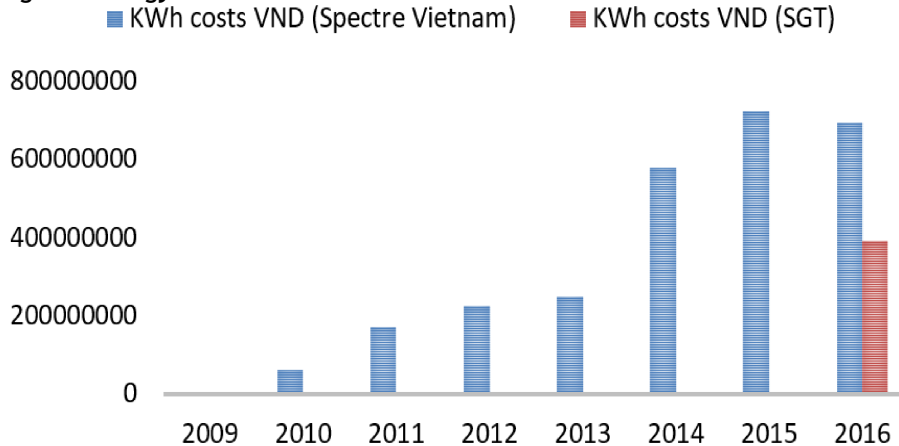
Vietnam

Fig 8a: Energy consumption in Kwh, Vietnam



Despite the fact that in Vietnam there are limited possibilities of choosing renewable energy sources we strive to handle environmental aspects in order to save resources in different ways

Fig. 8b: Energy costs in VND



Environmental focus:

Recycling is a key component of modern waste reduction and it is the third component of the “reduce - reuse - recycle” waste hierarchy. It is evident that our industry needs to recycle our waste to a larger degree in the future in order to function as a raw material for a variety of products.

Spectre is keen on developing a solution for recycling our fabric waste. Preferably the fabric waste should be recycled into our own production; alternatively supplying other industries. We have been cooperating with a partner offering an innovative technology that allows the recycling of industrial waste - such as fabric waste from the garment cutting process - into new products.

MANAGEMENT'S REVIEW

Corporate social responsibility (continued)

Our goal has been the development of a nonwoven material that would work as fill for 3-layer outdoor jackets and we have made various tests. The process includes a unique technology that enables spray treating the fibers in-line with various agents such as hydrophobic or hydrophilic capabilities, anti-microbial agents or dust binding.

Unfortunately we have not managed developing a fill light enough to be really attractive and highly relevant for outdoor jackets and therefore we have been forced putting the project on hold for now. As an alternative we are investigating whether our fabric waste could still be part of a recycling process transforming the fibers into alternative products for other industries.

We work with various partners and customers to find new solutions to the challenges faced by the garment industry. We wish to play an active and relevant role in transforming the outdoor garment industry into the mindset of circular economy.

We are constantly improving our working techniques and strive to reduce the amount of solid waste. We are managing the entire CAD/CAM process via a state-of-the art, integrated pattern making, marker making and auto cutting system in order to optimize the fabric utilization as much as possible. Through a close partnership cooperation with our customers in the future it would be possible reducing the fabric waste even further by considering the fabric utilization as one of the priorities of the product design, thus the pattern making process.

Attention is also paid to waste separation and recycling although we strive to reach a higher level.

The Transport and Logistics sector is another area of concern. This sector is a major consumer of energy and a key partner for industrial manufacturers and global trade. One of the criteria when selecting transportation partner is to evaluate the CSR strategy and ambitions of our transportation partner. Our current transportation partner has incorporated CSR into their strategy as one of the core elements which fits well with our own strategy.

2 People

A sustainable workforce is central to our business due to the labor intensive industry we are operating in. We want our employees to take active interest in our CSR goals and values, to engage in demonstrating social responsibility processes and contribute to sustainable development.

General risks in the garment industry are related to labor rights and social issues as illustrated in our business model. According to social standard SA8000 we continuously monitor and comply with highest level of requirements to control and avoid such issues as child labor, forced labor, freedom of association, discrimination, disciplinary practices, excessive working hours and remuneration.

Spectre group is seeking to raise the employee performance exploring improved productivity potential through its Continuous Improvement process, LEAN and 5S methods, professional quality management systems and many other activities. We believe that this has a direct link to gradually ensuring higher wages for workers in our industry.

In terms of the physical working environment, our new factory in Vietnam, SGT, has been designed and built according to modern standards with full air condition system in the production area and in the offices, energy efficient windows, and insulated walls, a light and transparent working environment and modern machinery and equipment.

Spectre Latvia's Rezekne branch has installed an air condition system in order to improve the working environment during warm summer periods

MANAGEMENT'S REVIEW

Corporate social responsibility (continued)

2.1 Human Rights

In the garment industry there is a potential risk of not respecting a number of Human Rights. Spectre initially identified 7 Human Rights headings covering 12 individual Human Rights with subheadings remaining as a basis to us, which we continuously monitor and maintain in the best possible way. These are:

- 2. Right to non-discrimination,*

- 4. Right to enjoy just and favorable conditions of work, including*
 - a. Right to equal pay for equal work*
 - b. Right to a living wage*
 - c. Right to safe and healthy working conditions*
 - d. Right to equal opportunities for everyone to be promoted*
 - e. Right to rest, leisure and paid holidays*

- 5. Right to form and join trade unions and the right to strike*

- 7. Right to family life, including*
 - a. Right to protection of mothers before and after childbirth*
 - b. Right to children's and young people's protection from exploitation (no child labor)*

- 10. Right to education*

- 14. Right not to be subjected to slavery, servitude or forced labor*

- 24. Right to freedom of thought, conscience and religion*

Having implemented the social standard SA8000 our practical work with preventing Human Rights violations is already in progress.

MANAGEMENT'S REVIEW

Corporate social responsibility (continued)

2.2 Health and safety

Another important focus related to our employees is employee satisfaction in the working place and all overall Health and Safety matters.

One of the challenges for Spectre is the demographic change with increasing age of the working population (in Latvia) and the relevant increase of occupational diseases. Furthermore, increasing workload, seasonal imbalance of orders, permanent access and the transition to balanced working hours are new and increasingly important topics for our employees.

The topics are even more important to Spectre in year of 2016 and 2017, which will require regular monitoring, better planning at all company levels and an improvement of the global (group wide) best practice sharing. The target will be to improve work-life balance for our employees.

In terms of best practice we can already share that health and safety has been a top priority of our new factory construction project for Spectre Garment Technologies (SGT) in Vietnam and we are proud to announce that far more than 100.000 working hours have been realized on the construction site without accidents.

SGT is managed under the same management programs as the remaining companies in the Spectre Group with key words such as 5S and Continuous Improvement production principles, well-defined quality management systems and certified standards for the quality management as well as external environment. Beginning of 2017, the factory has been certified according to the social standard SA8000 which brings the factory up to the same level as its sister factories in the Spectre Group.

Spectre is committed to a safe and healthy working environment for all personnel and the prevention of work related injuries and illness by providing and maintaining safe workplaces which are inspected by OHS responsible persons, internal and external audits on a regular basis.

2.3 Communication, awareness building and engagement of employees

We communicate CSR principles and goals to all of our employees, and require that they adhere to them. All of these actions are taken in accordance with the applicable statutory regulations, standard requirements and cooperating with applicable institutions and customers with similar CSR goals.

Spectre is training and coaching workers and managers alike concerning our customers' requirements within CSR related topics.

Additionally to trainings we ensure various communication channels are established to facilitate employees' way to rise their questions, increase awareness of social matters and just collaborating. Worth mentioning are: induction sessions for new employees for CSR awareness building; a company internal Intranet system; e-mail communication, posters on information boards around the factory; recommendation and suggestion database, face to face meetings and other channels.

Fig. 10 Spectre communication channels

| STATUS | NĒ. | REGISTRĀCIJAS DATUMS | AUTORIS | ĪPAŠPAAKĀRTS | DETAĻIĒTIĀS PĀRBAUDĪTAS | KATEGORIJA | ATBILDĪGĀIS | ĪPŠĪKĀS TĪKUMS | ĶĒRĀS PLĀNS | KAS IR UZDAVĪTS |
|--------|------|----------------------|--------------------|---|--|---------------------------|--------------------|----------------|---|---|
| MEKLĒT | | | MEKLĒT | | | MEKLĒT | MEKLĒT | | | |
| | 1439 | 21.03.2017 | Galina Isorova | Uzlabotais Adatas | Lai uzlabotu tūlrunas CSB moduļa pamājināt GRCO | | Zintis Grundberg | 21.03.2017 | Jā veic darbināji informācija, Saistīšanās un | terakts skaits, 30 |
| | 1438 | 21.03.2017 | Vladimirs Okselovs | Ierosinājums 1369 nor. izpildīt. | Ierosinājums 1369 nor. izpildīts, tagad redaktors nosūtījis ziņoj. | Saimnieciskā jaucējumi | Zintis Grundberg | 21.03.2017 | Ierosinājums ir izpildīts, redaktors nogatavots ir uzturēšanos darbagr. | |
| | 1437 | 17.03.2017 | Rama Kurme | DFP failu saglabāšana sistēmā | Viņi drīk neapē KĀRTONA SAĪŅŅI pie modeļiem, varētu izveidot paplašin. | Uzdevuma izpildes procesi | Indra Prokeciņa | 28.04.2017 | | |
| | 1436 | 16.03.2017 | Natalija Tjerna | Īsātrienā pilnārti vietas veidus un to pa laikam jāizbaidā lai | Dažādos centros pulksteni rada dābiāts laiks, tā rezultātā darbināji var | Saimnieciskā jaucējumi | Zintis Grundberg | 31.03.2017 | Pulkstenus pēc iespējas orientācijā. Ierīkšana neatlet ar viā kā 17:30 | |
| | 1435 | 16.03.2017 | Vlāda Kosina | Neapmierinātība iegādāties vēl vienu ledusskapī ēdiena, sakāvi ar | Neapmierinātība iegādāties vēl vienu ledusskapī ēdiena, sakāvi ar | Saimnieciskā jaucējumi | Zintis Grundberg | 21.04.2017 | Izskatām priekšlikumu par veidāna ledusskapja iegād. | |
| | 1434 | 16.03.2017 | Alona Kuzneceva | Pilonēris lēmējāji | Iespējam lēmējāji uzskatīt arvienāku pārtiku, kur uģmentat | Rūpnieciskā jaucējumi | Tatjana Lepova | | | |
| | 1433 | 16.03.2017 | Rita Vīle | 5S un 5M grafika ieviešana | Ir nodarīts, ka katru nedēļu 5S darbināji izpildīt darbināji kaudēt ar | 5S | Ieva Kurlpāja | 30.04.2017 | Sagatavā 5S audita lapas uzlabojuma pārskatījuma. | |
| | 1432 | 15.03.2017 | Ware House | Noliktava notīrāda vi. R | Noliktava notīrāda vi. R | IT jaucējums | Vladimirs Okselovs | 21.03.2017 | | Tika veikta WFI Rīta pārbaude notīrāda teritorijā un veiktā |
| | 1431 | 14.03.2017 | Galina Robertovna | Apakšuzņēmēju forma nosaukuma veido uģuāciju | Izvērtēt un pārbaudīt apakšuzņēmēju formu, jo ir nār pārskatāma. | Apakšuzņēmēji | Rita Kļoseva | 20.03.2017 | Kopā ar Tatjanu Lepovu un Ivaru Kļosevu, tā labāk izveidot un | |
| | 1430 | 13.03.2017 | Andrijs Tracuns | Cīņa, kura norīda apmācības vietā, Auzuma | Lūdz vis apmācības vietā, kura norīda drap. | Tehniskais departaments | Zintis Grundberg | 14.04.2017 | Tika uzstādīta cīņa. | |



MANAGEMENT'S REVIEW

Corporate social responsibility (continued)

3 Anti-corruption and bribery

We have identified certain activities of potential risk for our company:

- *Plant management*
- *Import/export of goods including contact to customs authorities*
- *Supplier contacts/Purchasing duties*
- *Quality audits*
- *Social audits*
- *Financial audits*
- *Payments of invoices*
- *Payments and contacts with tax authorities*
- *Salary payments (only bank transfer)*

We have had zero cases of bribery and/or corruption. However, we operate in countries with moderate to high risk of corruption, according to information taken from Corruption Perception Index reports and we do not measure our success only by the number of actual cases but also on the number of employees being trained in our Anti-Corruption policy and the repetitive controlling of that procedures are strictly followed.

We do enforce a two-person principle related to all payment procedures.

4 Reporting

Through our reporting process, we seek to inform our stakeholders in a transparent manner as well as presenting our activities, successes and challenges.

We utilize recognized, integrated management systems for Quality and Environmental Management in all our production sites to achieve our goals and to implement relevant guidelines at a consistently high level.

Innovations and improvements activities are systematically initiated, recorded and tracked across the group using regular internal environmental and safety audits.

In 2016 Spectre enrolled in SAI's Social Fingerprint® management systems program. The program helps us measuring and even more improving processes such as risk assessment, corrective and preventive actions, worker and stakeholder engagement, grievance mechanisms, and capacity building. It is a code-agnostic program that can be used to measure our maturity and performance within CSR compliance.

According to external assessment of SAI's Social Fingerprint® we have identified focus areas that need to be improved, the need for training and capacity building and management of contractors and suppliers. Furthermore, we were able to assess areas that need to be maintained according to implemented CSR processes.

Lastly, we will continue our reporting to the United Nations' "Global Compact" and expressly committed ourselves to its ten principles of responsible behavior with the aim of making our activities more sustainable.

SA8000 update

Both factories in Latvia have been recertified according to the new SA8000:2014 standard - this marks our 3-year anniversary as an SA8000 certified company.

Being SA8000 certified means all our factories are audited every 6 months by external auditors to ensure our procedures are continually adequate. The audit report with its observations and/or non-conformances assists us in identifying areas with need for improvement and any non-conformance must be dealt with within a given time period.

Our goal is to have zero non-conformances overall across the group.

MANAGEMENT'S REVIEW

Corporate social responsibility (continued)

The SA8000 standard was revised ensuring its continued applicability in the face of new and emerging social and human rights issues, resulting in the launch of SA8000:2014 which supersedes previous versions. Revisions to SA8000 are conducted in accordance with the ISEAL Code of Good Practice for Setting Social and Environmental Standards.

Key changes of SA8000:2014 standard version compared to previous SA8000:2008 version:

- 1) Increased importance of the Standard's management system that emphasizes that SA8000 seeks to ensure implementation, monitoring and corrective action, i.e. not just a written system but one that is operational with continuous improvement as a goal.
- 2) Central improvement to the Standard was the inclusion of Social Fingerprint®. It is a set of tools that helps organizations continuously measure and improve their management system for social performance, helping them fulfill the requirements of the Management System Element of SA8000.
- 3) Requirement of formal Occupational Health and Safety risk assessment;
- 4) Requirement of management/worker health and safety committees, and requirement that there be effective communication of decisions taken by management and the health and safety committee.
- 5) Strengthening control of Suppliers/Subcontractors and Sub-Suppliers by requiring the evaluation of suppliers by priority by their risk of social issues, approval, on-going assessment, and participation in corrective/preventive actions.
- 6) And other.

Fig. 11 Fingerprint defined Management System elements by categories

| | | | | |
|---|--|--|--|--|
| <p>SA8000:2014- 9.1 Policies, Procedures & Records</p> | <p>SA8000:2014- 9.2 Social Performance Team</p> | <p>SA8000:2014- 9.3 Identification & Assessment of Risks</p> | <p>SA8000:2014- 9.4 Monitoring</p> | <p>SA8000:2014- 9.5 Internal Involvement & Communication</p> |
| <p>SA8000:2014- 9.6 Complaint Management & Resolution</p> | <p>SA8000:2014- 9.7 External Verification & Stakeholder Engagement</p> | <p>SA8000:2014- 9.8 Corrective & Preventative Actions</p> | <p>SA8000:2014- 9.9 Training & Capacity Building</p> | <p>SA8000:2014- 9.10 Management of Suppliers & Contractors</p> |

Implemented risk evaluation

During 2016 we have created a risk management system and focus our Continuous Improvements and adjustments based on the most current information and findings according to SA8000 standard. Risk assessment and evaluation happens with the Social Performance Team participating in order to represent employee interests.

MANAGEMENT'S REVIEW

Corporate social responsibility (continued)

Fig. 12 Sample of created risk assessment and evaluation template

| | | SA8000 risku izvērtējums | | |
|--|--|---|---|---|
| | | APŪCE/ĒSĒJĀVA riskam/ārai Kritiskā Mēroga | KĀLĀNCĪBĪGS riskam/ārai Kritiskā Mēroga | PĀSĒDNE riskam/ārai Kritiskā Mēroga |
| SA8000 standarta kategorijas | | Izvērtējuma rādītāji, ko nosaka | | |
| CHILD LABOUR | | 1. Tiek nodarbinātas personas, kas ir 18 gadu un mazākas vecuma bērni vai jaunieši, kas ir nepilngadīgi | | |
| | | 0 | 0 | 0 |
| | | 0 | 0 | 0 |
| FORCED OR COMPULSORY LABOUR | | 1. Darbinājam jābūt brīvā gribā, bet neviens darba ņēmējs | | |
| | | 0 | 0 | 0 |
| | | 0 | 0 | 0 |
| | | 0 | 0 | 0 |
| | | 0 | 0 | 0 |
| HEALTH AND SAFETY | | 1. Darbinājam jānodrošina drošs darba vidi un drošību | | |
| | | 0 | 0 | 0 |
| | | 0 | 0 | 0 |
| | | 0 | 0 | 0 |
| | | 0 | 0 | 0 |
| | | 0 | 0 | 0 |
| | | 0 | 0 | 0 |
| | | 0 | 0 | 0 |
| FREEDOM OF ASSOCIATION & RIGHT TO COLLECTIVE BARGAINING | | 1. Kompanijas darbinājam jānodrošina drošs darba vidi un drošību | | |
| | | 0 | 0 | 0 |
| | | 0 | 0 | 0 |
| DISCRIMINATION | | 1. Darbinājam jānodrošina vienlīdzīgu attiecību starp darbinājam un nepilngadīgiem darbinājam | | |
| | | 0 | 0 | 0 |
| | | 0 | 0 | 0 |
| | | 0 | 0 | 0 |
| DISCIPLINARY PRACTICES | | 1. Darbinājam jānodrošina vienlīdzīgu attiecību starp darbinājam un nepilngadīgiem darbinājam | | |
| | | 0 | 0 | 0 |
| | | 0 | 0 | 0 |
| | | 0 | 0 | 0 |
| WORKING HOURS | | 1. Darbinājam jānodrošina drošu darba vidi un drošību | | |
| | | 0 | 0 | 0 |
| | | 0 | 0 | 0 |
| | | 0 | 0 | 0 |
| REMUNERATION | | 1. Darbinājam jānodrošina vienlīdzīgu attiecību starp darbinājam un nepilngadīgiem darbinājam | | |
| | | 0 | 0 | 0 |
| | | 0 | 0 | 0 |
| | | 0 | 0 | 0 |
| MANAGEMENT SYSTEM | | 1. Kompanijas politikas nodrošina vienlīdzīgu attiecību starp darbinājam un nepilngadīgiem darbinājam | | |
| 5.1 Policies, Procedures and Records | | 0 | 0 | 0 |
| | | 0 | 0 | 0 |
| | | 0 | 0 | 0 |

Identification of risks as well as investigation of incidents, which occurred despite all preventive provisions, are essential measures for Continuous Improvement and minimizing the probability of future incidents/accidents to happen.

CSR goals for 2017

In order to fulfill our responsibility and constantly strive towards improvements, we base our actions on clearly defined principles and standards, and set new goals for the next business year. For 2017 we have identified following goals:

- ⇒ Review and update CSR strategy for next 3 years;
- ⇒ Improve training and capacity building across the organization in CSR matters;
- ⇒ Develop and improve management system of subcontractors and suppliers;
- ⇒ Improve social and ethical awareness of our employees through a continuous learning process;
- ⇒ Designing and implementing bi-annual employee satisfaction surveys group wide;
- ⇒ Develop and maintain ISO140001 activities;
- ⇒ Recertify Spectre Vietnam according to SA8000:2014 requirements;
- ⇒ Foster Continuous Improvement across the Spectre group;

MANAGEMENT'S REVIEW

Corporate social responsibility (continued)

CSR report 2016 summary and what makes us proud!

The well-being of our employees in a good working environment with focus on both physical and psychological elements is one of Spectre's core values. The owners and the management team set the framework and are committed to act accordingly. Our employees play an important role acting constructively and professionally at work and each staff member has its own share in ensuring a good, positive and safe working environment where team work is a virtue.

Additionally, responsibility for Environmental Protection, Health and Safety are corporate goals of Spectre and form part of its strategy. This responsibility is an integral component of our Mission and of our values, and it determines our business processes, strategic plans and operational actions. We are certain that our company can only continue its entrepreneurial success in the future on the basis of sustainability and responsible behavior!

We responsibly and continuously pursue improvements to our business and production processes around the world in the areas of Environmental Protection, Health and Safety and Social Accountability. In doing so, we make our lasting contribution to the solution of global challenges.

Thank you to all of you - customers, business partners and employees alike - for a great performance contributing to the positive evaluation of our company. We can all be proud of this achievement and it only motivates us to keep doing well in the future!

Yours sincerely,

*Jesper Klausen
Director, owner*

*Jacob Klausen
Director, owner*

*Santa Goleva
Spectre CSR manager*

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

| | Note | 2016 DKK | 2015 DKK |
|--|------|-------------------|-------------------|
| GROSS PROFIT | | 34.564.761 | 27.192.893 |
| Staff costs..... | 1 | -19.060.043 | -17.764.608 |
| Depreciation, amortisation and impairment..... | | -912.343 | -946.414 |
| Other operating expenses..... | | -1.277.746 | 0 |
| OPERATING PROFIT | | 13.314.629 | 8.481.871 |
| Result of equity investments in group enterprises..... | | -4.379.939 | 3.752.775 |
| Other financial income..... | 2 | 274.220 | 288.515 |
| Other financial expenses..... | | -2.250.949 | -1.758.952 |
| PROFIT BEFORE TAX | | 6.957.961 | 10.764.209 |
| Tax on profit/loss for the year..... | 3 | -2.703.949 | -1.655.769 |
| PROFIT FOR THE YEAR | 4 | 4.254.012 | 9.108.440 |

BALANCE SHEET AT 31 DECEMBER

| ASSETS | Note | 2016 DKK | 2015 DKK |
|---|------|--------------------|-------------------|
| Development projects in progress and prepayments..... | | 3.444.605 | 739.975 |
| Intangible fixed assets | 5 | 3.444.605 | 739.975 |
| Production plants and machinery..... | | 1.094.431 | 2.089.630 |
| Other plants, machinery, tools and equipment..... | | 862.471 | 963.288 |
| Leasehold improvements..... | | 70.526 | 198.676 |
| Other investment assets..... | | 307.816 | 307.816 |
| Tangible fixed assets | 6 | 2.335.244 | 3.559.410 |
| Equity investments in group enterprises..... | | 14.127.265 | 23.996.724 |
| Rent deposit and other receivables..... | | 93.350 | 102.635 |
| Fixed asset investments | 7 | 14.220.615 | 24.099.359 |
| FIXED ASSETS | | 20.000.464 | 28.398.744 |
| Raw materials and consumables..... | | 34.176.184 | 21.952.310 |
| Work in progress..... | | 12.988.316 | 10.065.333 |
| Finished goods and goods for resale..... | | 894.108 | 3.170.264 |
| Inventories | | 48.058.608 | 35.187.907 |
| Trade receivables..... | | 36.275.467 | 20.948.479 |
| Receivables from group enterprises..... | 8 | 24.003.608 | 7.331.682 |
| Other receivables..... | | 229.213 | 607.752 |
| Prepayments and accrued income..... | 9 | 584.211 | 1.025.550 |
| Receivables | | 61.092.499 | 29.913.463 |
| Other securities and equity investments..... | | 82.976 | 90.788 |
| Current investments | | 82.976 | 90.788 |
| Cash and cash equivalents | | 65.961 | 303.603 |
| CURRENT ASSETS | | 109.300.044 | 65.495.761 |
| ASSETS | | 129.300.508 | 93.894.505 |

BALANCE SHEET AT 31 DECEMBER

| EQUITY AND LIABILITIES | Note | 2016 DKK | 2015 DKK |
|--|-------------|---------------------|---------------------|
| Share capital..... | 10 | 500.000 | 500.000 |
| Reserve under the equity method..... | | 0 | 4.752.242 |
| Provision for development costs..... | | 2.686.792 | 577.181 |
| Retained profit..... | | 36.990.092 | 30.381.441 |
| Proposed dividend..... | | 0 | 2.000.000 |
| EQUITY..... | | 40.176.884 | 38.210.864 |
| Provision for deferred tax..... | 11 | 567.419 | 26.774 |
| PROVISION FOR LIABILITIES..... | | 567.419 | 26.774 |
| Bank loan..... | | 27.014.769 | 0 |
| Lease liabilities..... | | 397.293 | 735.376 |
| Long-term liabilities..... | 12 | 27.412.062 | 735.376 |
| Short-term portion of long-term liabilities..... | 12 | 3.385.233 | 1.496.946 |
| Bank debt..... | | 42.784.361 | 42.245.692 |
| Payables to companies and prepayments..... | | 814.807 | 2.658.689 |
| Trade payables..... | | 11.017.828 | 6.084.526 |
| Payables to group enterprises..... | | 449.869 | 0 |
| Other liabilities..... | | 2.692.045 | 2.435.638 |
| Current liabilities..... | | 61.144.143 | 54.921.491 |
| LIABILITIES..... | | 88.556.205 | 55.656.867 |
| EQUITY AND LIABILITIES..... | | 129.300.508 | 93.894.505 |
| | | | |
| Contingencies etc. | 13 | | |
| Charges and securities | 14 | | |
| Related parties | 15 | | |

EQUITY

| | Share capital | Reserve under the equity method | Provision for development costs | Retained profit | Proposed dividend | Total |
|--|----------------|---------------------------------------|---------------------------------------|--------------------|----------------------|-------------------|
| Equity at 1 January 2016..... | 500.000 | 4.752.242 | 577.181 | 30.381.442 | 2.000.000 | 38.210.865 |
| Dividend paid | | | | | -2.000.000 | -2.000.000 |
| Foreign exchange adjustments..... | | | | 39.910 | | 39.910 |
| Value adjustments of equity | | | | -327.903 | | -327.903 |
| Transfers to/from other items..... | | | 2.109.611 | -2.109.611 | | |
| Proposed distribution of profit..... | | -4.752.242 | | 9.006.254 | | 4.254.012 |
| Equity at 31 December 2016..... | 500.000 | 0 | 2.686.792 | 36.990.092 | 0 | 40.176.884 |

NOTES

| | 2016 DKK | 2015 DKK | Note |
|--|-------------------|---|----------|
| Staff costs | | | 1 |
| Average number of employees 22 (2015: 20) | | | |
| Wages and salaries..... | 17.598.485 | 16.474.355 | |
| Pensions..... | 909.128 | 904.099 | |
| Social security costs..... | 300.530 | 353.491 | |
| Other staff costs..... | 251.900 | 32.663 | |
| | 19.060.043 | 17.764.608 | |
| Other financial income | | | 2 |
| Group enterprises..... | 272.473 | 286.975 | |
| Other interest income..... | 1.747 | 1.540 | |
| | 274.220 | 288.515 | |
| Tax on profit/loss for the year | | | 3 |
| Calculated tax on taxable income of the year..... | 2.163.304 | 1.486.469 | |
| Adjustment of deferred tax..... | 540.645 | 169.300 | |
| | 2.703.949 | 1.655.769 | |
| Proposed distribution of profit | | | 4 |
| Proposed dividend for the year..... | 0 | 2.000.000 | |
| Allocation to reserve under the equity method..... | -4.752.242 | 3.150.956 | |
| Accumulated profit..... | 9.006.254 | 3.957.484 | |
| | 4.254.012 | 9.108.440 | |
| Intangible fixed assets | | | 5 |
| | | Development projects in progress and prepayments | |
| Cost at 1 January 2016..... | | 739.975 | |
| Additions..... | | 2.704.630 | |
| Cost at 31 December 2016..... | | 3.444.605 | |
| Carrying amount at 31 December 2016..... | | 3.444.605 | |

Projektet er sat i drift i 2017. I 2017 er der aktiveret yderligere 1,5 mio kr.

NOTES

| | |
|------------------------------|-------------|
| | Note |
| Tangible fixed assets | 6 |

| | Production plants and machinery | Other plants, machinery, tools and equipment |
|---|------------------------------------|--|
| Cost at 1 January 2016..... | 15.772.997 | 2.141.173 |
| Additions..... | 34.408 | 147.841 |
| Disposals..... | -470.884 | 0 |
| Cost at 31 December 2016..... | 15.336.521 | 2.289.014 |
| Depreciation and impairment losses at 1 January 2016..... | 13.683.367 | 1.177.885 |
| Depreciation for the year..... | 558.723 | 248.658 |
| Depreciation and impairment losses at 31 December 2016.... | 14.242.090 | 1.426.543 |
| Carrying amount at 31 December 2016..... | 1.094.431 | 862.471 |
| | Leasehold improvements | Other investment assets |
| Cost at 1 January 2016..... | 1.601.363 | 307.816 |
| Cost at 31 December 2016..... | 1.601.363 | 307.816 |
| Depreciation and impairment losses at 1 January 2016..... | 1.402.687 | 0 |
| Depreciation for the year..... | 128.150 | 0 |
| Depreciation and impairment losses at 31 December 2016.... | 1.530.837 | 0 |
| Carrying amount at 31 December 2016..... | 70.526 | 307.816 |

Recognised assets not owned by the company: 862 tkr.

| | |
|--------------------------------|----------|
| Fixed asset investments | 7 |
|--------------------------------|----------|

| | Equity investments in group enterprises | Rent deposit and other receivables |
|---|---|---------------------------------------|
| Cost at 1 January 2016..... | 19.244.482 | 102.635 |
| Additions..... | 1.722.096 | 0 |
| Disposals..... | -556.891 | -9.285 |
| Cost at 31 December 2016..... | 20.409.687 | 93.350 |
| Revaluation at 1 January 2016..... | 4.752.242 | |
| Dividend..... | -268.635 | |
| Revaluation and impairment losses for the year..... | -4.340.029 | |
| Other adjustments..... | -6.893.877 | |
| Revaluation at 31 December 2016..... | -6.750.299 | |
| Carrying amount at 31 December 2016..... | 13.659.388 | 93.350 |
| Negative balance, receivables..... | 467.877 | |
| Carrying amount at 31 December 2016..... | 14.127.265 | 93.350 |

NOTES

| | | | | | Note |
|--|-------------------|-------------------|-----------------------------|-------------------|-----------|
| Investments in subsidiaries (DKK) | | | | | |
| Name and registered office | | Equity | Profit/loss for the year | Ownership | |
| EK Auce, Latvia..... | | 5.302.638 | 345.952 | 81 % | |
| Spectre Latvia, Latvia..... | | -467.877 | -2.966.712 | 100 % | |
| Spectre Garment, Vietnam..... | | 9.255.904 | -1.693.448 | 100 % | |
| | | | | | |
| Receivables from group enterprises | | | | | 8 |
| Receivables falling due after more than one year is DKK ('000) 16.504 | | | | | |
| | | | | | |
| Prepayments and accrued income | | | | | 9 |
| Costs..... | | | 584.211 | 1.025.550 | |
| | | | 584.211 | 1.025.550 | |
| | | | | | |
| Share capital | | | | | 10 |
| Specification of the share capital: | | | | | |
| A-shares, 10 in the denomination of 50.000 DKK..... | | | 500.000 | 500.000 | |
| | | | 500.000 | 500.000 | |
| | | | | | |
| Provision for deferred tax | | | | | 11 |
| Provision for deferred tax relates to differences between the carrying amount and the tax value of receivables and and tangible fixed assets | | | | | |
| | | | | | |
| Deferred tax | | | | | |
| Deferred tax at 1 January 2016..... | | | 26.774 | -142.526 | |
| Provisions for the year..... | | | 540.645 | 169.300 | |
| Provision for deferred tax 31 December 2016..... | | | 567.419 | 26.774 | |
| | | | | | |
| Long-term liabilities | | | | | 12 |
| | 1/1 2016 | 31/12 2016 | Repayment | Debt outstanding | |
| | total liabilities | total liabilities | next year | after 5 years | |
| Bank loan..... | 1.373.025 | 30.014.769 | 3.000.000 | 13.666.673 | |
| Lease liabilities..... | 859.297 | 782.526 | 385.233 | 0 | |
| | 2.232.322 | 30.797.295 | 3.385.233 | 13.666.673 | |

NOTES

| | Note |
|--|-------------|
| Contingencies etc. | 13 |
| The company has provided security on a credit insurance policy for the parent company's debt to bank. | |
| Spectre A/S has issued a guarantee in relation to Spectre Holding ApS for the company's debt to bank. The guarantee includes all accounts with the bank. | |
| The company has entered into operating rent and lease agreements with an annual lease payment of DKK ('000) 60. | |
| Joint liabilities | |
| The company is jointly and severally liable together with the parent company Spectre Holding A/S for tax on the Group's joint taxable income and for certain withholding taxes such as dividend tax. | |
| Tax payable on the Group's joint taxable income is disclosed in the annual report of Spectre Holding A/S, which is the administration company of the joint taxation arrangement. | |
| Charges and securities | 14 |
| As security for account with bank, the company has issued a business charge of a nominal amount of DKK ('000) 24,000. The business charge includes assets which have a carrying amount at the balance sheet date of DKK ('000) 84,732. | |
| Related parties | 15 |
| The company's related parties include: | |
| Controlling influence | |
| Jacob Lundhøj Stubkjær Klausen, Ravnsbjerg Krat 17, Gjellerup, 7400 Herning, who is a chief executive. | |
| Jesper Lundhøj Stubkjær Klausen, Else Alfelts Vej 20, 7430 Ikast, who is a chief executive. | |
| Kenneth Bach Pedersen, Strandvejen 25, 7800 Skive, who is a chief executive. | |
| Other related parties having performed transactions with the company | |
| The company's' related parties having a significant influence comprise subsidiaries and associates as well as the companies' board of directors, chief executives and executive officers and their relatives. Related parties include also companies in which the above mentioned group of persons has material interests. | |
| Transactions with related parties | |
| The company did not perform any material transactions that were not carried out on an arm's length basis. | |

ACCOUNTING POLICIES

The annual report of Spectre A/S for 2016 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, medium enterprise.

The Annual Report is prepared consistently with the accounting principles used last year.

Consolidated financial statements

Consolidated financial statements have not been prepared because the group fulfils the exemption provisions of section 112 of the Danish Financial Statements Act on sub-groups. The company is included in the consolidated financial statements of Spectre Holding ApS, Orionvej 1 - 3, CVR number 27 42 77 31.

INCOME STATEMENT

Net revenue

The net revenue from sale of merchandise and finished goods is recognised in the income statement if supply and risk transfer to purchaser has taken place before the end of the year. Net revenues is recognised exclusive of VAT, duties and less discounts related to the sale.

Cost of sales

Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

Other external expenses

Other external expenses include cost of sales, advertising, administration, buildings, bad debts, operational lease expenses, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the company's employees. Repayments from public authorities are deducted from staff costs.

Investments in subsidiaries

The income statement of the parent company recognises the proportional share of the results of each subsidiary after full elimination of intercompany profits/losses and deduction of amortisation of goodwill.

Financial income and expenses in general

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

Tax on profit for the year

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

ACCOUNTING POLICIES

BALANCE SHEET

Intangible fixed assets

Development costs comprise costs, including wages and salaries, and amortisation, which directly or indirectly can be related to the company’s development activities and which fulfil the criteria for recognition.

Capitalised development costs are amortised on a straight-line basis over the estimated useful life after completion of the development work. The amortisation period is normally 5 years.

Tangible fixed assets

Production plant and machinery, other plants, fixtures and equipment are measured at cost less accumulated depreciation and write-down.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

| | <i>Useful life</i> | <i>Residual value</i> |
|--|--------------------|-----------------------|
| <i>Production plant and machinery.....</i> | <i>5-10 years</i> | <i>0 %</i> |
| <i>Other plants, fixtures and equipment.....</i> | <i>3-8 years</i> | <i>0-30 %</i> |
| <i>Leasehold improvements.....</i> | <i>3-8 years</i> | <i>0-30 %</i> |

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Fixed asset investments

Investments in subsidiaries are measured in the parent company’s balance sheet under the equity method.

In connection with purchase of companies the purchase method is applied. Added values in the form of consolidated goodwill are amortised over the estimated financial useful life, which is determined based on management’s experience within the individual lines of business. Consolidated goodwill is amortised on a straight-line basis over the amortisation period, which is 5 years.

Subsidiaries with a negative carrying equity value are measured to DKK 0 and any amounts due from these enterprises are written down by the parent company’s share of the negative equity to the extent that it is deemed to be irrecoverable. If the carrying negative equity value exceeds accounts receivable, the residual amount is recognised under provision for liabilities to the extent that the parent company has a legal or actual liability to cover the subsidiary’s deficit.

ACCOUNTING POLICIES

Impairment of fixed assets

The carrying amount of intangible fixed and tangible assets together with fixed assets, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the net realisable value is lower than the carrying amount, the assets are written down to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

Inventories

Inventories are measured at cost using the FIFO-principle. If the net realisable value is lower than cost, write-down is provided to the lower value.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The cost of finished goods and work in progress includes cost of raw materials, consumables, direct payroll cost and indirect production cost.

The net realisable value of inventories is stated at sales price less completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price.

Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is reduced by write-down to meet expected losses.

Accruals, assets

Accruals recognised as assets include costs incurred relating to the subsequent financial year.

Securities and investments

Securities and investments, recognised as current assets, comprise public quoted bonds, shares and other current investments that are measured at fair market value on the balance sheet date. Public quoted securities are measured at quoted price. Non-quoted securities are measured at sales value based on computed net present value.

Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date would be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

ACCOUNTING POLICIES

Liabilities

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the income statement over the term of loan.

Amortised cost of current liabilities usually corresponds to nominal value.

Foreign currency translation

Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the income statement as a financial income or expense.