
INPS A/S

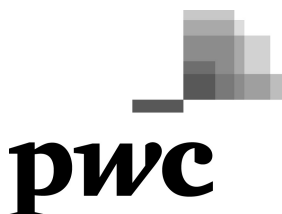
Ellegårdvej 7, DK-6400 Sønderborg

Annual Report for 1 January - 31 December 2021

CVR No 34 73 32 28

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
23/02 2022

Bent Kristensen
Chairman of the General
Meeting



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of INPS A/S for the financial year 1 January - 31 December 2021.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2021 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2021.

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.

Sønderborg, 23 February 2022

Executive Board

Jens Rom
CEO

Board of Directors

Lars-Christian Brask
Chairman

Bent Kristensen

Jan C. von Backhaus

Erik Balck Sørensen

Allan Krogsgaard Jakobsen

Peter M. Clausen

Independent Auditor's Report

To the Shareholders of INPS A/S

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2021 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of INPS A/S for the financial year 1 January - 31 December 2021, 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 consolidated statement of cash flows ("the 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 Financial Statements Act.

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 Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's responsibilities for the Financial Statements

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

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

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

Independent Auditor's Report

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.

Aarhus, 23 February 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Henrik Kragh
statsautoriseret revisor
mne26783

Jeppe Smed Sørensen
statsautoriseret revisor
mne40041

Company Information

The Company

INPS A/S
Ellegårdvej 7
DK-6400 Sønderborg

CVR No: 34 73 32 28
Financial period: 1 January - 31 December
Municipality of reg. office: Sønderborg

Board of Directors

Lars-Christian Brask, Chairman
Bent Kristensen
Jan C. von Backhaus
Erik Balck Sørensen
Allan Krogsgaard Jakobsen
Peter M. Clausen

Executive Board

Jens Rom

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Nobelparken
Jens Chr. Skous Vej 1
DK-8000 Aarhus C

Financial Highlights

Seen over a three-year period, the development of the Group is described by the following financial highlights:

	Group		
	2021	2020	2019
	TDKK	TDKK	TDKK
Key figures			
Profit/loss			
Gross profit/loss	101.703	31.585	25.518
Profit/loss before financial income and expenses	54.520	-11.334	-13.535
Net financials	21.724	-7.874	-4.302
Net profit/loss for the year	88.225	-18.969	-16.218
Balance sheet			
Balance sheet total	169.135	65.641	70.210
Equity	105.245	16.976	24.681
Cash flows			
Cash flows from:			
- operating activities	44.261	2.088	-7.647
- investing activities	36.204	-10.296	-20.396
including investment in property, plant and equipment	-515	-156	-3.368
- financing activities	-30.949	9.655	32.986
Change in cash and cash equivalents for the year	49.516	1.447	4.943
Number of employees	102	96	90
Ratios			
Return on assets	32,2%	-17,3%	-19,3%
Solvency ratio	62,2%	25,9%	35,2%
Return on equity	144,4%	-91,1%	-121,8%

Management's Review

Key activities

The purpose of the Company is to be the holding company of the INPS Group. The purpose of the Group is to develop and sell innovative parcel lockers and related software integration to logistics providers globally.

Development in the year

The income statement of the Group for 2021 shows a profit of TDKK 88,225, and at 31 December 2021 the balance sheet of the Group shows equity of TDKK 105,245.

The group has obtained good traction on the roll-out of parcel locker networks to our strategic customers. The continued rise in online shopping and increased focus on sustainable first and last mile solutions boosts demand for parcel locker systems.

During the year the group has sold its shares in its associated company in line with its future strategy, which focuses on delivering parcel locker networks to its customers, rather than operating distribution networks itself.

The result from associated companies amounts to TDKK 24,243.

The past year and follow-up on development expectations from last year

The result of 2021 is considered very satisfactory and exceeds the expectations at the beginning of the year. The significantly increased turnover and the resulting improved profit is primarily due to our strategic customers implementing aggressive roll-out plans for parcel locker networks in response to capacity requirements and recipients' demand for convenience. Furthermore, the profit before tax is better than expected due to sale of the groups associated company.

Targets and expectations for the year ahead

The Group expects significant growth in 2022 and will continue to roll out the Infinity solution in both existing and new markets around the world. The expected profit before tax for 2022 is in the interval DKK 70 to 110 mio.

Research and development

In 2021 no research and development costs have been capitalized as the development project has been finished and ready to use.

External environment

The Group strives towards reducing its environmental footprint through an ongoing optimization of the energy and resources used for the daily operation.

Management's Review

Intellectual capital resources

To offer innovative solutions, the Group is dependent on both human and technological resources. Thus, the ability to recruit and retain highly qualified employees remains a key priority.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position at 31 December 2021 of the Group and the results of the activities and cash flows of the Group for the financial year for 2021 have not been affected by any unusual events.

The Corona pandemic has not had any material impact on the 2021 financial result of the Group and the Company.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	Group		Parent Company	
		2021 TDKK	2020 TDKK	2021 TDKK	2020 TDKK
Gross profit/loss		101.703	31.585	-92	-83
Staff expenses	1	-40.798	-33.301	0	-1
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-6.385	-9.618	0	0
Profit/loss before financial income and expenses		54.520	-11.334	-92	-84
Income from investments in subsidiaries		0	0	57.139	-13.055
Income from investments in associates		24.243	-3.780	24.243	-3.780
Financial income	2	42	0	429	263
Financial expenses		-2.561	-4.094	-928	-2.333
Profit/loss before tax		76.244	-19.208	80.791	-18.989
Tax on profit/loss for the year	3	11.981	239	7.434	20
Net profit/loss for the year		88.225	-18.969	88.225	-18.969

Balance Sheet 31 December

Assets

	Note	Group		Parent Company	
		2021 TDKK	2020 TDKK	2021 TDKK	2020 TDKK
Completed development projects		10.908	13.911	0	0
Intangible assets	4	10.908	13.911	0	0
Other fixtures and fittings, tools and equipment		6.593	10.104	0	0
Property, plant and equipment in progress		1.454	1.566	0	0
Property, plant and equipment	5	8.047	11.670	0	0
Investments in subsidiaries	6	0	0	81.686	14.003
Investments in associates	7	0	11.757	0	11.757
Fixed asset investments		0	11.757	81.686	25.760
Fixed assets		18.955	37.338	81.686	25.760
Raw materials and consumables		14.070	1.649	0	0
Finished goods and goods for resale		3.360	1.028	0	0
Prepayments for goods		0	646	0	0
Inventories		17.430	3.323	0	0
Trade receivables		27.366	9.381	0	0
Receivables from group enterprises		0	0	429	11.857
Other receivables		25.825	1.308	4	0
Deferred tax asset	8	15.323	0	5.197	0
Corporation tax receivable from group enterprises		0	0	5.559	0
Prepayments	9	987	558	0	0
Receivables		69.501	11.247	11.189	11.857
Cash at bank and in hand		63.249	13.733	12.745	4.867
Currents assets		150.180	28.303	23.934	16.724
Assets		169.135	65.641	105.620	42.484

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent Company	
		2021 TDKK	2020 TDKK	2021 TDKK	2020 TDKK
Share capital	10	17.690	17.690	17.690	17.690
Other reserves		310	264	310	264
Retained earnings		87.245	-978	87.245	-978
Equity		105.245	16.976	105.245	16.976
Other provisions	12	9.062	1.251	0	0
Provisions		9.062	1.251	0	0
Payables to owners and Management		0	3.681	0	0
Long-term debt	13	0	3.681	0	0
Prepayments received from customers		29.777	1.014	0	0
Trade payables		15.281	5.165	5	17
Payables to owners and Management	13	0	27.268	0	25.461
Corporation tax		321	0	321	0
Other payables		9.449	10.286	49	30
Short-term debt		54.828	43.733	375	25.508
Debt		54.828	47.414	375	25.508
Liabilities and equity		169.135	65.641	105.620	42.484
Subsequent events	18				
Distribution of profit	11				
Contingent assets, liabilities and other financial obligations	16				
Related parties	17				
Accounting Policies	19				

Statement of Changes in Equity

Group

	Share capital	Other reserves	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	17.690	264	-980	16.974
Exchange adjustments	0	46	0	46
Net profit/loss for the year	0	0	88.225	88.225
Equity at 31 December	17.690	310	87.245	105.245

Parent Company

Equity at 1 January	17.690	264	-980	16.974
Exchange adjustments	0	46	0	46
Net profit/loss for the year	0	0	88.225	88.225
Equity at 31 December	17.690	310	87.245	105.245

Cash Flow Statement 1 January - 31 December

	Note	Group	
		2021 TDKK	2020 TDKK
Net profit/loss for the year		88.225	-18.969
Adjustments	14	-27.283	17.253
Change in working capital	15	-11.143	6.424
Cash flows from operating activities before financial income and expenses		49.799	4.708
Financial income		42	0
Financial expenses		-2.560	-2.859
Cash flows from ordinary activities		47.281	1.849
Corporation tax paid		-3.020	239
Cash flows from operating activities		44.261	2.088
Purchase of intangible assets		0	-5.045
Purchase of property, plant and equipment		-515	-156
Fixed asset investments made etc		0	-5.095
Sale of property, plant and equipment		719	0
Sale of fixed asset investments etc		36.000	0
Cash flows from investing activities		36.204	-10.296
Repayment of loans from credit institutions		0	-55
Repayment of payables to owners		-30.949	-1.290
Cash capital increase		0	11.000
Cash flows from financing activities		-30.949	9.655
Change in cash and cash equivalents		49.516	1.447
Cash and cash equivalents at 1 January		13.733	12.373
Exchange adjustment of current asset investments		0	-87
Cash and cash equivalents at 31 December		63.249	13.733
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		63.249	13.733
Cash and cash equivalents at 31 December		63.249	13.733

Notes to the Financial Statements

	Group		Parent Company	
	2021 TDKK	2020 TDKK	2021 TDKK	2020 TDKK
1 Staff expenses				
Wages and salaries	38.333	30.577	0	0
Pensions	1.752	2.290	0	0
Other social security expenses	385	311	0	1
Other staff expenses	328	123	0	0
	40.798	33.301	0	1
 including remuneration to the Board of Directors	 4.339	 2.960	 0	 0
 Average number of employees	 102	 96	 0	 0
 2 Financial income				
Interest received from group enterprises	0	0	429	263
Other financial income	42	0	0	0
	42	0	429	263
 3 Tax on profit/loss for the year				
Current tax for the year	3.342	0	-2.237	0
Deferred tax for the year	-15.323	0	-5.197	0
Adjustment of tax concerning previous years	0	-239	0	-20
	-11.981	-239	-7.434	-20

Notes to the Financial Statements

4 Intangible assets

Group

	Completed development projects TDKK
Cost at 1 January	21.885
Cost at 31 December	21.885
Impairment losses and amortisation at 1 January	7.974
Amortisation for the year	3.003
Impairment losses and amortisation at 31 December	10.977
Carrying amount at 31 December	10.908

Completed development projects consists of developed software related to the SwipBox concept.

The concepts are expected to contribute with increased sales among the sister companies in the Group in the future.

Notes to the Financial Statements

5 Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment TDKK	Property, plant and equipment in progress TDKK
Cost at 1 January	15.856	2.017
Exchange adjustment	-47	0
Additions for the year	515	0
Disposals for the year	-999	0
Transfers for the year	115	-115
Cost at 31 December	15.440	1.902
Impairment losses and depreciation at 1 January	5.760	451
Exchange adjustment	-17	-3
Impairment losses for the year	1.082	0
Depreciation for the year	2.681	0
Impairment and depreciation of sold assets for the year	-659	0
Impairment losses and depreciation at 31 December	8.847	448
Carrying amount at 31 December	6.593	1.454

Notes to the Financial Statements

6 Investments in subsidiaries

	Parent Company	
	2021 TDKK	2020 TDKK
Cost at 1 January	108.499	111.897
Additions for the year	10.500	0
Disposals for the year	0	-3.399
Cost at 31 December	118.999	108.498
Value adjustments at 1 January	-94.498	-85.004
Disposals for the year	0	3.299
Exchange adjustment	46	264
Net profit/loss for the year	57.139	-12.127
Amortisation of goodwill	0	-927
Value adjustments at 31 December	-37.313	-94.495
Carrying amount at 31 December	81.686	14.003

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
SwipBox International A/S	Sønderborg	500.000	100%	66.714	57.139
SwipBox Development ApS	Sønderborg	2.300.000	100%	38.170	-1.208
SwipBox Pakistan Pvt. Ltd.**	Pakistan	RS 500.000	100%	821	406
SwipBox Pty. Ltd.*	Australien	AUD 1	100%	1.343	2.159
SwipBox Polska sp. z o.o.*	Polen	PLN 65.000	100%	-5.128	851

* Subsidiary of SwipBox International A/S

** Subsidiary of SwipBox Development ApS

Notes to the Financial Statements

	Group		Parent Company	
	2021 TDKK	2020 TDKK	2021 TDKK	2020 TDKK
7 Investments in associates				
Cost at 1 January	16.815	11.720	16.815	11.720
Additions for the year	0	5.095	0	5.095
Disposals for the year	<u>-16.815</u>	<u>0</u>	<u>-16.815</u>	<u>0</u>
Cost at 31 December	<u>0</u>	<u>16.815</u>	<u>0</u>	<u>16.815</u>
Value adjustments at 1 January	-5.058	-1.277	-5.058	-1.277
Disposals for the year	2.689	0	2.689	0
Net profit/loss for the year	0	-2.195	0	-2.195
Change in intercompany profit on inventories	<u>2.369</u>	<u>-1.586</u>	<u>2.369</u>	<u>-1.586</u>
Value adjustments at 31 December	<u>0</u>	<u>-5.058</u>	<u>0</u>	<u>-5.058</u>
Carrying amount at 31 December	<u>0</u>	<u>11.757</u>	<u>0</u>	<u>11.757</u>

8 Deferred tax asset

Deferred tax asset at 1 January	0	0	0	0
Amounts recognised in the income statement for the year	<u>15.323</u>	<u>0</u>	<u>5.197</u>	<u>0</u>
Deferred tax asset at 31 December	<u>15.323</u>	<u>0</u>	<u>5.197</u>	<u>0</u>

The recognised tax asset comprises tax loss carry-forwards and tax depreciations based assets expected to be utilised within the next three to four years. In connection with the assessment of the utilisation of the tax asset, special emphasis has been placed on the Groups expected growth the coming years and expected profit before tax.

9 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Notes to the Financial Statements

10 Equity

The share capital is broken down as follow:

	Number	Nominal value TDKK
A-shares	398.775	399
B-shares	17.290.747	17.291
		17.690

	Group		Parent Company	
	2021 TDKK	2020 TDKK	2021 TDKK	2020 TDKK
11 Distribution of profit				
Retained earnings	88.225	-18.969	88.225	-18.969
	88.225	-18.969	88.225	-18.969

12 Other provisions

Other provisions	9.062	1.251	0	0
	9.062	1.251	0	0

The Group provides warranties on some of its products and is therefore obliged to repair or replace goods which are not satisfactory. In recognition of the significantly higher locker installment base, the Group has increased other provisions to DKK 9.062 (2020: DKK 1.251) to cover expected warranty claims.

Notes to the Financial Statements

13 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group		Parent Company	
	2021 TDKK	2020 TDKK	2021 TDKK	2020 TDKK
Payables to owners and Management				
Between 1 and 5 years	0	3.681	0	0
Long-term part	0	3.681	0	0
Other short-term debt to owners and Management	0	27.268	0	25.461
	0	30.949	0	25.461

Notes to the Financial Statements

	Group	
	2021 TDKK	2020 TDKK
14 Cash flow statement - adjustments		
Financial income	-42	0
Financial expenses	2.561	4.094
Depreciation, amortisation and impairment losses, including losses and gains on sales	6.422	9.618
Income from investments in associates	-24.243	3.780
Tax on profit/loss for the year	-11.981	-239
	-27.283	17.253
15 Cash flow statement - change in working capital		
Change in inventories	-14.107	2.377
Change in receivables	-42.930	-438
Change in other provisions	7.811	1.251
Change in trade payables, etc	38.083	3.234
	-11.143	6.424

Notes to the Financial Statements

16	Contingent assets, liabilities and other financial obligations	Group		Parent Company	
		2021	2020	2021	2020
		TDKK	TDKK	TDKK	TDKK
Charges and security					
The following assets have been placed as security with bankers:					
The following assets have been placed as security with owners and bank:Mortgage deeds registered to the mortgagor totalling DKK 25,000k (2020 DKK 25,000k) providing security on intangible assets, property, plant and equipment,inventory and trade receivables with a total carrying amount of					
		56.033	38.285	0	0
Contingent assets					
The group has a not recognized deferred tax asset per. 31 December 2021 at TDKK 7.519 (2020: TDKK 30,196). The amount is not recognized in the balance sheet, as there is uncertainty about the time of its utilization.					
Rental and lease obligations					
	Rental obligations	2.440	2.915	0	0

Notes to the Financial Statements

16 Contingent assets, liabilities and other financial obligations (continued)

Other contingent liabilities

The parent company has stated that it will support SwipBox Development ApS, SwipBox International A/S, SwipBox Pty. Ltd and SwipBox Polska sp. z o.o. with liquidity to ensure continued operations.

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable by the Group amounts to TDKK 321. 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.

Garanties for DKK 8.183k toward clients (2020: DKK 8.183k)

The parent company is guarantor with primary liability in respect of all balances with the subsidiary SwipBox International A/S.

17 Related parties

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

18 Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Notes to the Financial Statements

19 Accounting Policies

The Annual Report of INPS A/S for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2021 are presented in TDKK.

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.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, INPS A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

Notes to the Financial Statements

19 Accounting Policies (continued)

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Services are recognised at the rate 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.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Notes to the Financial Statements

19 Accounting Policies (continued)

Other external expenses

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

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, work on own account recognised in assets, expenses for raw materials and consumables and other external expenses.

Staff expenses

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

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Income from investments in subsidiaries and associates

The items “Income from investments in subsidiaries” and “Income from investments in associates” in the income statement include the proportionate share of the profit for the year.

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.

Notes to the Financial Statements

19 Accounting Policies (continued)

Balance Sheet

Intangible assets

Development projects, patents and licences

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

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. An amount corresponding to the recognised development costs is allocated to the equity item "Reserve for development costs". The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

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 8 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-8	years
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The fixed assets' residual values are determined at nil.

Notes to the Financial Statements

19 Accounting Policies (continued)

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries and associates

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

The items “Investments in subsidiaries” and “Investments in associates” 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 inter-company profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries and associates 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 the subsidiaries and the associates.

Subsidiaries and associates 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.

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 of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and manage-

Notes to the Financial Statements

19 Accounting Policies (continued)

ment.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of 1-10. Provisions are measured and recognised based on experience with guarantee work.

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.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Notes to the Financial Statements

19 Accounting Policies (continued)

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Cash Flow Statement

The cash flow statement shows the Group'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 Group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

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

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

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.

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 published financial records.

Financial Highlights

Explanation of financial ratios

Return on assets

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

Solvency ratio

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

Notes to the Financial Statements

19 Accounting Policies (continued)

Return on equity

$$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$$