INPS A/S

Ellegårdvej 7, DK-6400 Sønderborg

Annual Report for 1 January - 31 December 2020

CVR No 34 73 32 28

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 27/5 2021

Bent Kristensen
Chairman of the General Meeting

Contents

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 2020.

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 2020 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2020.

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, 27 May 2021

Executive Board

Jens Rom
CEO

Board of Directors

Lars-Christian Brask Chairman	Bent Kristensen Deputy Chairman	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 2020 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 2020 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 2020, 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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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 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, 27 May 2021
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Henrik Kragh statsautoriseret revisor mne26783	Henrik Trangeled Kristensen statsautoriseret revisor mne23333

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 two-year period, the development of the Group is described by the following financial highlights:

	Group	
	2020	2019
	TDKK	TDKK
Key figures		
Profit/loss		
Gross profit/loss	31.585	25.518
Profit/loss before financial income and expenses	-11.334	-13.535
Net financials	-7.874	-4.302
Net profit/loss for the year	-18.969	-16.218
Balance sheet		
Balance sheet total	65.641	70.210
Equity	16.976	24.681
Cash flows		
Cash flows from:		
- operating activities	2.088	-7.647
- investing activities	-10.296	-20.396
including investment in property, plant and equipment	-156	-3.368
- financing activities	9.655	32.986
Change in cash and cash equivalents for the year	1.447	4.943
Number of employees	96	90
Ratios		
Return on assets	-17,3%	-19,3%
Solvency ratio	25,9%	35,2%
Return on equity	-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 2020 shows a loss of TDKK 18,969, and at 31 December 2020 the balance sheet of the Group shows equity of TDKK 16,976.

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

The result of 2020 is considered satisfactory taken the COVID-19 outbreak into consideration.

Branches abroad

SwipBox Polska sp. z o.o. is a 100% owned subsidiary based in Warzawa, Poland. Sales and customer service for Polish customers is handled through this company.

Softacon Ltd is a 100% owned subsidiary based in Islamabad, Pakistan. Software development for the Group is handled through this company. In January 2021 the company name was change to SwipBox Pakistan.

SwipBox Pty Ltd is a 100% owned subsidiary based in Brisbane, Australia. Sales and customer service for Australian customers is handled through this company.

SwipBox Pte. Ltd is 100% owned subsidiary based in Singapore. The company is without activity and under liquidation which is expected to be finalized during the first quarter of 2021.

Targets and expectations for the year ahead

The Group expects significant growth in 2021 and will continue to roll out the Infinity solution in both existing and new markets around the world. The expected profit before tax for 2021 is in the interval DKK 2,5 to 7,0 mio.

Research and development

In 2020 the total capitalized research and development costs amount to TDKK 13,911. It primarily relates to the ongoing development of the Infinity locker and is primarily conducted by the subsidiary in Pakistan.

Management's Review

External environment

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

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 2020 of the Group and the results of the activities and cash flows of the Group for the financial year for 2020 have not been affected by any unusual events.

The Corona pandemic has not had any material impact on the 2020 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 2020 TDKK	Group 2019 TDKK	Parent Company 2020 TDKK	Parent Company 2019 TDKK
Gross profit/loss		**31.585**	**25.518**	**-83**	**2.967**
Staff expenses	2	-33.301	-31.304	-1	-2.162
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-9.618	-7.749	0	-169
Profit/loss before financial income and expenses		**-11.334**	**-13.535**	**-84**	**636**
Income from investments in subsidiaries		0	0	-13.055	-14.350
Income from investments in associates		-3.780	-1.277	-3.780	-1.277
Financial income	3	0	188	263	321
Financial expenses	4	-4.094	-3.213	-2.333	-2.246
Profit/loss before tax		**-19.208**	**-17.837**	**-18.989**	**-16.916**
Tax on profit/loss for the year	5	239	1.619	20	698
Net profit/loss for the year		**-18.969**	**-16.218**	**-18.969**	**-16.218**

Balance Sheet 31 December

Assets

		Group		Parent Company	
	Note	2020	2019	2020	2019
		TDKK	TDKK	TDKK	TDKK
Completed development projects		13.911	11.358	0	0
Acquired patents		0	379	0	0
Goodwill		0	927	0	0
Intangible assets	6	**13.911**	**12.664**	**0**	**0**
Other fixtures and fittings, tools and equipment		10.104	15.611	0	0
Property, plant and equipment in progress		1.566	2.611	0	0
Property, plant and equipment	7	**11.670**	**18.222**	**0**	**0**
Investments in subsidiaries	8	0	0	14.003	26.893
Investments in associates	9	11.757	10.443	11.757	10.443
Fixed asset investments		**11.757**	**10.443**	**25.760**	**37.336**
Fixed assets		**37.338**	**41.329**	**25.760**	**37.336**
Raw materials and consumables		1.649	1.453	0	0
Work in progress		0	2.394	0	0
Finished goods and goods for resale		1.028	0	0	0
Prepayments for goods		646	1.853	0	0
Inventories		**3.323**	**5.700**	**0**	**0**
Trade receivables		9.381	9.520	0	0
Receivables from group enterprises		0	0	11.857	8.401
Other receivables		1.308	743	0	191
Prepayments	10	558	545	0	0
Receivables		**11.247**	**10.808**	**11.857**	**8.592**
Cash at bank and in hand		**13.733**	**12.373**	**4.867**	**1.951**
Currents assets		**28.303**	**28.881**	**16.724**	**10.543**
Assets		**65.641**	**70.210**	**42.484**	**47.879**

Balance Sheet 31 December

Liabilities and equity

		Group		Parent Company	
	Note	2020	2019	2020	2019
		TDKK	TDKK	TDKK	TDKK
Share capital	11	17.690	17.323	17.690	17.323
Other reserves		264	0	264	0
Retained earnings		-978	7.358	-978	7.358
Equity		**16.976**	**24.681**	**16.976**	**24.681**
Other provisions	13	1.251	0	0	0
Provisions		**1.251**	**0**	**0**	**0**
Payables to owners and Management		3.681	5.488	0	0
Long-term debt	14	**3.681**	**5.488**	**0**	**0**
Credit institutions		0	55	0	0
Prepayments received from customers		1.014	1.563	0	0
Trade payables		5.165	4.714	17	3
Payables to owners and Management	14	27.268	26.751	25.461	23.146
Other payables		10.286	6.958	30	49
Short-term debt		**43.733**	**40.041**	**25.508**	**23.198**
Debt		**47.414**	**45.529**	**25.508**	**23.198**
Liabilities and equity		**65.641**	**70.210**	**42.484**	**47.879**

Subsequent events	1
Distribution of profit	12
Contingent assets, liabilities and other financial obligations	17
Related parties	18
Accounting Policies	19

Statement of Changes in Equity

Group

	Share capital	Other reserves	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	17.323	0	7.358	24.681
Exchange adjustments	0	264	0	264
Cash capital increase	367	0	10.633	11.000
Net profit/loss for the year	0	0	-18.969	-18.969
Equity at 31 December	**17.690**	**264**	**-978**	**16.976**

Parent Company

	Share capital	Other reserves	Retained earnings	Total
Equity at 1 January	17.323	0	7.358	24.681
Exchange adjustments	0	264	0	264
Cash capital increase	367	0	10.633	11.000
Net profit/loss for the year	0	0	-18.969	-18.969
Equity at 31 December	**17.690**	**264**	**-978**	**16.976**

Cash Flow Statement 1 January - 31 December

	Note	Group 2020	Group 2019
		TDKK	TDKK
Net profit/loss for the year		-18.969	-16.218
Adjustments	15	17.253	10.375
Change in working capital	16	6.424	-346
Cash flows from operating activities before financial income and expenses		**4.708**	**-6.189**
Financial income		0	8
Financial expenses		-2.859	-3.085
Cash flows from ordinary activities		**1.849**	**-9.266**
Corporation tax paid		239	1.619
Cash flows from operating activities		**2.088**	**-7.647**
Purchase of intangible assets		-5.045	-5.512
Purchase of property, plant and equipment		-156	-3.368
Fixed asset investments made etc		-5.095	-11.516
Cash flows from investing activities		**-10.296**	**-20.396**
Repayment of loans from credit institutions		-55	-2.847
Repayment of payables to owners		-1.290	-3.167
Cash capital increase		11.000	39.000
Cash flows from financing activities		**9.655**	**32.986**
Change in cash and cash equivalents		**1.447**	**4.943**
Cash and cash equivalents at 1 January		12.373	7.430
Exchange adjustment of current asset investments		-87	0
Cash and cash equivalents at 31 December		**13.733**	**12.373**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		13.733	12.373
Cash and cash equivalents at 31 December		**13.733**	**12.373**

Notes to the Financial Statements

1 Subsequent events

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

	Group		Parent Company	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK
2 Staff expenses				
Wages and salaries	30.577	27.882	0	1.926
Pensions	2.290	2.247	0	186
Other social security expenses	311	364	1	50
Other staff expenses	123	811	0	0
	33.301	**31.304**	**1**	**2.162**
Average number of employees	**96**	**90**	**0**	**1**

3 Financial income

Interest received from group enterprises	0	0	263	317
Other financial income	0	188	0	4
	0	**188**	**263**	**321**

4 Financial expenses

Interest paid to group enterprises	0	0	0	74
Other financial expenses	4.094	3.213	2.333	2.172
	4.094	**3.213**	**2.333**	**2.246**

5 Tax on profit/loss for the year

Current tax for the year	0	0	0	0
Adjustment of tax concerning previous years	-239	-1.619	-20	-698
	-239	**-1.619**	**-20**	**-698**

Notes to the Financial Statements

6 Intangible assets

Group

	Completed development projects	Acquired patents	Goodwill
	TDKK	TDKK	TDKK
Cost at 1 January	16.840	484	6.836
Additions for the year	5.045	0	0
Disposals for the year	0	-484	0
Cost at 31 December	21.885	0	6.836
Impairment losses and amortisation at 1 January	5.483	105	5.909
Amortisation for the year	2.491	39	927
Reversal of amortisation of disposals for the year	0	-144	0
Impairment losses and amortisation at 31 December	7.974	0	6.836
Carrying amount at 31 December	**13.911**	**0**	**0**

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

The capitalized development costs for the year, primarily consists of the development of SwipBox' parcel locker 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

7 Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress
	TDKK	TDKK
Cost at 1 January	24.399	2.612
Exchange adjustment	-376	-143
Additions for the year	156	0
Disposals for the year	-8.767	0
Transfers for the year	452	-452
Cost at 31 December	15.864	2.017
Impairment losses and depreciation at 1 January	8.779	0
Impairment losses for the year	3.053	451
Depreciation for the year	2.403	0
Reversal of impairment and depreciation of sold assets	-8.475	0
Impairment losses and depreciation at 31 December	5.760	451
Carrying amount at 31 December	**10.104**	**1.566**

Notes to the Financial Statements

	Parent Company	
	2020	2019
	TDKK	TDKK

8 Investments in subsidiaries

	2020 TDKK	2019 TDKK
Cost at 1 January	111.897	93.807
Additions for the year	0	18.490
Disposals for the year	-3.399	-196
Transfers for the year	0	-204
Cost at 31 December	108.498	111.897
Value adjustments at 1 January	-85.004	-70.597
Disposals for the year	3.299	0
Exchange adjustment	264	0
Net profit/loss for the year	-12.127	-14.164
Amortisation of goodwill	-927	-622
Change in intercompany profit on inventories	0	436
Other adjustments	0	-57
Value adjustments at 31 December	-94.495	-85.004
Carrying amount at 31 December	**14.003**	**26.893**

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%	-971	-12.132
SwipBox Development ApS	Sønderborg	2.300.000	100%	39.389	319
SwipBox Pakistan Pvt. Ltd.**	Pakistan	RS 500.000	100%	437	84
SwipBox Pty. Ltd.*	Australien	AUD 1	100%	-822	222
SwipBox Pte. Ltd.*	Singapore	USD 1	100%	9	0
SwipBox Polska sp. z o.o.*	Polen	PLN 65.000	100%	-6.401	-4.106

* Subsidiary of SwipBox International A/S

** Subsidiary of SwipBox Development ApS

Notes to the Financial Statements

	Group		Parent Company	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK
9 Investments in associates				
Cost at 1 January	11.720	0	11.720	0
Additions for the year	5.095	11.516	5.095	11.516
Transfers for the year	0	204	0	204
Cost at 31 December	16.815	11.720	16.815	11.720
Value adjustments at 1 January	-1.277	0	-1.277	0
Net profit/loss for the year	-2.195	-494	-2.195	-494
Change in intercompany profit on inventories	-1.586	-783	-1.586	-783
Value adjustments at 31 December	-5.058	-1.277	-5.058	-1.277
Carrying amount at 31 December	**11.757**	**10.443**	**11.757**	**10.443**

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Nordic Infrastructure A/S	København	TDKK 3.800	51%	27.699	-4.303

10 Prepayments

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

Notes to the Financial Statements

11 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	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK

12 Distribution of profit

Retained earnings	-18.969	-16.218	-18.969	-16.218
	-18.969	**-16.218**	**-18.969**	**-16.218**

13 Other provisions

Other provisions	1.251	0	0	0
	1.251	**0**	**0**	**0**

The Company provides warranties of 1 to 5 years on some of its products and is therefore obliged to repair or replace goods which are not satisfactory. Based on previous experience in respect of the level of repairs and returns, other provisions of kDKK 1.250 (2019: kDKK 0) have been recognised for expected warranty claims.

Notes to the Financial Statements

14 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	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK
Payables to owners and Management				
Between 1 and 5 years	3.681	5.488	0	0
Long-term part	3.681	5.488	0	0
Other short-term debt to owners and Management	27.268	26.751	25.461	23.146
	30.949	**32.239**	**25.461**	**23.146**

Notes to the Financial Statements

	Group 2020	Group 2019
	TDKK	TDKK

15 Cash flow statement - adjustments

	2020	2019
Financial income	0	-188
Financial expenses	4.094	3.213
Depreciation, amortisation and impairment losses, including losses and gains on sales	9.618	7.749
Income from investments in associates	3.780	1.277
Tax on profit/loss for the year	-239	-1.619
Other adjustments	0	-57
	17.253	**10.375**

16 Cash flow statement - change in working capital

	2020	2019
Change in inventories	2.377	-2.729
Change in receivables	-438	1.323
Change in other provisions	1.251	0
Change in trade payables, etc	3.234	1.060
	6.424	**-346**

Notes to the Financial Statements

	Group		Parent Company	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK

17 Contingent assets, liabilities and other financial obligations

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 (2019 DKK 25,000k) providing security on intangible assets, property, plant and equipment,inventory and trade receivables with a total carrying amount of	38.285	46.106	0	0

Contingent assets

The group has a deferred tax asset per. 31 December 2020 at TDKK 30,196 (2019: TDKK 27,238). The amount is not recognized in the balance sheet, as there is uncertainty about the time of its utilization.

Rental and lease obligations

Rental of lockers*	0	1.500	0	0
Rental obligations	2.915	808	0	0

* This is equivalent to an income.

Notes to the Financial Statements

17 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 company has stated that it will support Nordic Infrastructure A/S with liquidity to ensure continued operations until 31 may 2021.

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 0. 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 (2019: DKK 0)

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

18 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.

Notes to the Financial Statements

19 Accounting Policies

The Annual Report of INPS A/S for 2020 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 2020 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.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Compa-

19 Accounting Policies (continued)

ny's share of the net asset value of subsidiaries stated at the time of consolidation.

Business combinations

Pooling of interests

Intragroup business combinations are accounted for under the pooling-of-interests method. Under this method, the two enterprises are combined at carrying amounts, and no differences are identified. Any consideration which exceeds the carrying amount of the acquired enterprise is recognised directly in equity. The pooling-of-interests method is applied at the date of acquisition, and comparative figures have not been restated.

Minority interests

Minority interests form part of the Group's total equity. Upon distribution of net profit, net profit is broken down on the share attributable to minority interests and the share attributable to the shareholders of the Parent Company. Minority interests are recognised on the basis of a remeasurement of acquired assets and liabilities to fair value at the time of acquisition of subsidiaries.

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

Notes to the Financial Statements

19 Accounting Policies (continued)

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.

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, other operating income, 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.

Other operating income and expenses

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

Notes to the Financial Statements

19 Accounting Policies (continued)

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. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

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.

Notes to the Financial Statements

19 Accounting Policies (continued)

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.

Patents and licences are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Patents are amortised over the remaining patent period or a shorter useful life. The amortisation period is years. Software licences are amortised over the period of the agreement, which is 8 years.

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life of 5 years. determined on the basis of Management's experience with the individual business areas.

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

The fixed assets' residual values are determined at nil.

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.

Notes to the Financial Statements

19 Accounting Policies (continued)

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 management.

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.

Notes to the Financial Statements

19 Accounting Policies (continued)

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 1-5. 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.

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

Notes to the Financial Statements

19 Accounting Policies (continued)

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

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$