MBL A/S

GLARMESTERVEJ 18B ST. TH., 8600 SILKEBORG

ANNUAL REPORT

1 JANUARY - 31 DECEMBER 2018

The Annual Report has been presented and adopted at the Company's Annual General Meeting on 22 May 2019

Lars Lüneborg

CVR NO. 12 82 52 42

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COMPANY DETAILS

Company	MBL A/S Glarmestervej 18B st. th. 8600 Silkeborg
	CVR No.: 12 82 52 42 Established: 1 February 1989 Registered Office: Silkeborg Financial Year: 1 January - 31 December
Board of Directors	Ingelise Nygaard Lauritsen, chairman Piotr Mateusz Sadowski Lars Bichel Lüneborg Martin Bichel Lauritsen Mogens Bichel Lauritsen
Board of Executives	Mogens Bichel Lauritsen
Auditor	KPMG P/S Bredskifte Allé 13 8210 Aarhus
Bank	Handelsbanken Søndergade 13 8600 Silkeborg
Law Firm	Horten Advokatpartnerselskab Philip Haymans Allé 7 2900 Hellerup

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 MBL A/S for the financial year 1 January - 31 December 2018.

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 Company's financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018.

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.

Silkeborg, 22 May 2019

Board of Executives

Mogens Bichel Lauritsen

Board of Directors

Ingelise Nygaard Lauritsen Chairman	Piotr Mateusz Sadowski	Lars Bichel Lüneborg
Martin Bichel Lauritsen	Mogens Bichel Lauritsen	

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of MBL A/S

Opinion
We have audited the financial statements of MBL A/S for the financial year 1 January - 31 December 2018 comprising accounting policies, income statement, balance sheet, statement of changes in equity and notes for the Company. 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 Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 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 company 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 rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - uncertainty related to receivable
We draw attention to 11 "Information on uncertainty with respect to recognition and measurement" to the financial statements, setting out the uncertainty relating to the measurement the receivable with a strategic business partner. Our opinion is not modified in respect to this matter.

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 that 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 responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made 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.

INDEPENDENT AUDITOR'S REPORT

- 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.

- 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 the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the 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 the Management's review.

Aarhus, 22 May 2019

KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Michael Stenskrog	Michael Emanuel Kraul Rasmussen
State Authorised Public Accountant	State Authorised Public Accountant
mne26819	mne41364

MANAGEMENT'S REVIEW

Principal activities
The principal activities comprise like in previous years production and trade in products related to the wheelchair/rehabilitation and aged care markets. The production is performed in the foreign subsidiaries in Poland and China. Product development and sale of the Group's products is also primarily performed by the foreign subsidiaries.

The products are sold globally, primarily in Europe and the Asia Pacific region. MBL has continued to further develop the US market in 2018. In 2018 MBL's products have been sold in 40 countries.

Exceptional matters
There are no exceptional matters this year.

Uncertainty as to recognition and measurement
During previous years the Group has built up the receivables a significant balance in the form of trade receivables from one of the business partners which is among our top 10 biggest customers to Group revenue growth. In the course of year 2018 regular repayments of both existing loans and trade receivables have been noticed, however, due to sudden sales growth (120% vs 2017 sales) the balance vs last year has increased by EUR 1.8m on MBL Group level. Still compared to last year Days Sales Outstanding parameter on this customer (calculated as proportion of total loan/receivables balance vs yearly sales) has improved by over 35%. The growth of the balance of trade receivables and loan granted is in all material respects granted on the basis of a cooperation agreement and as part of an overall business plan for cooperation on new activities with proven opportunity of sales in 2018.

In view of the size of the receivables, its long repayment period in relation to common terms of trading, and the matter that the loan and trade are primarily granted to a Group with a modest capital base, the recognition and measurement hereof are subject to uncertainty. However, taking the market potential, close cooperation and the improved liquidity situation into account we strongly believe this receivables balance is collectable in the full amount.

Except as mentioned above, no particular uncertainty is deemed to be attached to the recognition and measurement of the financial figures.

Development in activities and financial position
2018 was the second year of realizing a new financial strategy together with the strategic minority investor which positively influenced business operations and reduced the cash flow pressure which allowed to fully re-finance existing debts. It was also a second year of continued bank financing in MBL Poland from Santander Bank Polska S.A. (former Bank Zachodni WBK S.A.).

Both financing partners have been paid in 2018 in line with the agreed schedule and in particular debt in Santander Bank has been reduced by PLN 4.5m vs end of 2017. Simultaneously MBL Poland signed in 2018 the amendment agreement with Santander Bank extending revolving loan facility and met all newly set covenants in 2018 with no defaults. At the same time the MBL Group has improved its liquidity with increase in available cash assets from EUR 1.9m end of 2017 to EUR 2.5m end of 2018.

In 2018, the profit before tax in MBL A/S was EUR +1.7m against EUR -1.2m in 2017. It is related to improved results of equity investments in group enterprises - both in MBL Poland and MBL Xiamen.

In terms of standalone MBL A/S results (excl. subsidiaries results), it had been expected to deliver around 0 net profit in 2018. However, net loss of EUR -0.1m was realized which is still an improvement vs EUR-0.3m in 2017. This is driven by higher Royalties income related to growing revenues of subsidiaries and lower administration costs. The savings on this was offset by additional cost of Default interests from AMC investor waiver agreement signed in 2017.

In 2018, the operating profit/loss from ordinary operations was EUR +4.2m against EUR 1.4m in 2017. Revenue was increased to EUR 58.4m in 2018 against EUR 48.2m in 2017 (growth of 21%). The revenue growth contributed 2.1m EUR additional gross margin. Gross margin was, overall, improved in 2018 thanks to persistent realization of 2018 budget initiatives, in particular strategic sales projects, optimization of prices in the light of challenges from the labour market, product cost rationalizations and labor efficiency improvement. It has been also supported by overall currency development and

MANAGEMENT'S REVIEW

Development in activities and financial position (continued)
limited material cost inflation. This led to normalized EBITDA improvement from EUR 3.7m in 2017 to EUR 6.4m in 2018 despite significant pressure on salaries both in Poland and in China.

The Group's operations normalization and high revenues opportunity from new projects/core business is a basis for utilizing the earnings potential. The key aspects of this plan of earnings improvement is additional sales growth coming from new projects (very strong growth already visible from China). The new projects supported with cost rationalizations are expected to deliver EUR 1.5m additional margin in 2019. The other key point in the 2019 plan is continued sales price optimizations catching up on the inflationary trend.

These initiatives (new projects, cost rationalizations and necessary sales price optimisations) together with a motivating bonus program boosting efficiency on labor, are expected not only to keep satisfactory profitability, but also to establish the buffer for salary inflation pressure experienced both in Poland and in China.

The Group and the Parent company have at 31 December 2018 an equity of EUR 3.0m and an equity including subordinated loan capital of EUR 14.5m.

Going concern
In the financial statements for year 2017 there was a risk related to negative results which resulted in financial covenants breaches in the financing agreements with bank and investor.

Taking into account:
1. Improved profitability and liquidity position of MBL Group in 2018
2. Amendment agreement with Santander Bank from December 2018 which extended existing facility, set up new and agreed covenants level which was achieved and waived past defaults for year 2018
3. An agreement from December 2018 with the investor waiving covenant breaches for year 2018 was signed
4. It has been agreed with investor that new covenants were going to be used from Q1 2019 in line with bank amendment which would be confirmed formally by new amendment agreement in 2019

the "going concern" risk has been eliminated and the statement is prepared on going concern basis.

Furthermore there is a number of budget initiatives for 2019 which are an assurance that the Group's expected delivery of financial parameters should be achieved with a buffer for potential risks.

In Quarter 1 of 2019 the Group has achieved the revenue growth of 24.4% vs last year which is above budgeted and Normalized EBITDA level of EUR 2.6m which is EUR 1.6m above planned. As a the result newly agreed covenant parameters are met. The Group has also achieved the budgeted parameters related to cash flow generation with free cash flow from operations at the level of EUR 0.5m.

Results after Q1 of 2019 have been communicated to both lenders and together with 2018 results they are recognized as very positive. Board of Directors and the Board of Executives continue to assess that there will be no measurements or actions from Lenders which would trigger risk of discontinuation of operations in 2019.

MANAGEMENT'S REVIEW

Profit/loss for the year compared to future expectations

In 2018 net profit/loss was EUR +1.7m positive which was above LY and slightly below budget as described above.

It is budgeted to keep this net profit level in 2019 with a stretch target to get to break-even on MBL A/S which requires another round of review with financing partners and reduction of Default.

Significant events after the end of the financial year

No events have occurred after the end of the financial year of material importance for the company's financial position.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2018 EUR '000	2017 EUR '000
GROSS PROFIT		**1.915**	**1.700**
Distribution costs	1	-66	-62
Administrative expenses	1	-367	-417
OPERATING PROFIT		**1.482**	**1.221**
Result of equity investments in group enterprises		1.831	-810
Other financial income	2	222	110
Other financial expenses	3	-1.812	-1.711
PROFIT BEFORE TAX		**1.723**	**-1.190**
Tax on profit/loss for the year	4	18	82
PROFIT/LOSS FOR THE YEAR		**1.741**	**-1.108**

PROPOSED DISTRIBUTION OF PROFIT/LOSS

Allocation to reserves for net revaluation under the equity method	1.831	-810
Retained earnings	-90	-298
TOTAL	**1.741**	**-1.108**

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2018 EUR '000	2017 EUR '000
Other plant, fixtures and equipment		1	1
Tangible fixed assets	5	**1**	**1**
Fixed asset subsidiaries		10.550	8.618
Rent deposit and other receivables		10	10
Fixed asset investments	6	**10.560**	**8.628**
FIXED ASSETS		**10.561**	**8.629**
Receivables from group enterprises		4.152	3.641
Deferred tax assets		98	76
Other receivables		454	365
Receivables		**4.704**	**4.082**
Cash and cash equivalents		**103**	**115**
CURRENT ASSETS		**4.807**	**4.197**
ASSETS		**15.368**	**12.826**

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2018 EUR '000	2017 EUR '000
Share capital		141	141
Reserves for net revaluation under the equity method		5.473	3.541
Retained earnings		-2.564	-2.474
EQUITY		**3.050**	**1.208**
Payables to group enterprises		1.650	1.901
Subordinate loan capital		9.976	9.146
Long-term liabilities	7	**11.626**	**11.047**
Short-term portion of long-term liabilities	7	500	1
Trade payables		53	106
Payables to group enterprises		0	205
Corporation tax		5	0
Other liabilities		134	259
Current liabilities		**692**	**571**
LIABILITIES		**12.318**	**11.618**
EQUITY AND LIABILITIES		**15.368**	**12.826**

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EQUITY

	Share capital	Reserves for net revaluation under the equity method	Retained earnings	Total
Equity at 1 January 2018	141	3.541	-2.474	1.208
Foreign exchange adjustments		-220		-220
Value adjustments of equity		321		321
Proposed distribution of profit		1.831	-90	1.741
Equity at 31 December 2018	**141**	**5.473**	**-2.564**	**3.050**

NOTES

			Note
Staff costs			1
Average number of employees			
2 (2017: 2)			

	2018 EUR '000	**2017** EUR '000	
Other financial income			2
Interest, group enterprises	178	52	
Other interest income	44	58	
	222	**110**	
Other financial expenses			3
Interest, group enterprises	259	367	
Other interest expenses	1.553	1.344	
	1.812	**1.711**	
Tax on profit/loss for the year			4
Calculated tax on taxable income of the year	5	0	
Adjustment of tax for previous years	0	-13	
Adjustment of deferred tax	-23	-69	
	-18	**-82**	

Tangible fixed assets	**Other plant, fixtures and equipment**	5
Cost at 1 January 2018	112	
Cost at 31 December 2018	**112**	
Depreciation and impairment losses at 1 January 2018	111	
Depreciation and impairment losses at 31 December 2018	**111**	
Carrying amount at 31 December 2018	**1**	

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Fixed asset investments 6

	Fixed asset subsidiaries	Rent deposit and other receivables
Cost at 1 January 2018	5.077	10
Cost at 31 December 2018	**5.077**	**10**
Revaluation at 1 January 2018	4.355	0
Exchange adjustment	-220	0
Profit/loss for the year	1.831	0
Equity movements	321	0
Revaluation at 31 December 2018	**6.287**	**0**
Impairment losses and amortisation of goodwill at 1 January 2018	814	0
Impairment losses and amortisation of goodwill at 31 December 2018	**814**	**0**
Carrying amount at 31 December 2018	**10.550**	**10**

Long-term liabilities 7

	31/12 2018 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2017 total liabilities	Current portion at the beginning of the year
Bank loan	0	0	0	1	1
Payables to group enterprises	2.150	500	0	1.901	0
Subordinate loan capital	9.976	0	0	9.146	0
	12.126	**500**	**0**	**11.048**	**1**

As regards payables to group enterprises the creditor has signed a Letter of Subordination in relation to the provider of subordinate loan capital.

As regards subordinated loan capital the creditor has signed a Letter of Subordination in relation to the other creditors in the Company. The main subordinated loan capital from investor has formal repayment date of 5 years meaning intended maturity date of all subordinated loans is October 2021.

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Contingencies etc. 8

Contingent liabilities

	2018 EUR '000	2017 EUR '000
Rent commitments in which the termination period expires within 5 years, in total..	10	10
Withholding tax, China	0	940

Joint liabilities
The company is jointly and severally liable together with the parent company and the other group companies in the joint taxable group for tax on the group's joint taxable income and for certain possible withholding taxes such as dividend tax and royalty tax, and for the joint registration of VAT.

Tax payable of the group's joint taxable income is stated in the annual report of MBL Denmark A/S, which serves as management company for the joint taxation.

Charges and securities 9
As security for the subsidiary's bank loan, shares of MBL Poland have been pledged. At 31 December of 2018 nominal value of MBL Poland shares is PLN 12 145 000, the carrying value of which is EUR ('000) 6.617.

Information on uncertainty with respect to recognition and measurement 10
During previous years the Group has built up the receivables a significant balance in the form of trade receivables from one of the business partners which is among our top 10 biggest customers to Group revenue growth. In the course of year 2018 regular repayments of both existing loans and trade receivables have been noticed, however, due to sudden sales growth (120% vs 2017 sales) the balance vs last year has increased by EUR 1.8m on MBL Group level. Still compared to last year Days Sales Outstanding parameter on this customer (calculated as proportion of total loan/receivables balance vs yearly sales) has improved by over 35%. The growth of the balance of trade receivables and loan granted is in all material respects granted on the basis of a cooperation agreement and as part of an overall business plan for cooperation on new activities with proven opportunity of sales in 2018.

In view of the size of the receivables, its long repayment period in relation to common terms of trading, and the matter that the loan and trade are primarily granted to a Group with a modest capital base, the recognition and measurement hereof are subject to uncertainty. However, taking the market potential, close cooperation and the improved liquidity situation into account we strongly believe this receivables balance is collectable in the full amount.

Except as mentioned above, no particular uncertainty is deemed to be attached to the recognition and measurement of the financial figures.

Consolidated financial statements 11
The Company is included in the consolidated financial statements of MBL Denmark A/S Glarmestervej 18B st. th, 8600 Silkeborg, CVR no 27 38 65 98.

ACCOUNTING POLICIES

The Annual Report of MBL A/S for 2018 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class B and certain provisions applying to reporting class C.

The Annual Report is prepared consistently with the accounting principles applied last year. Prior years' numbers may be changed in case of insignificant rounding adjustments.

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 MBL Denmark A/S, Glarmestervej 18B st. th, 8600 Silkeborg, CVR No. 27 38 65 98.

INCOME STATEMENT

Production costs
Production costs comprise costs incurred to achieve the net revenue for the year.

Distribution costs
The costs incurred for distribution of goods sold during the year and for sales campaigns carried out during the year are recognised in distribution costs. The costs of the sales personnel, advertising and exhibition costs and amortisation are also recognised in distribution costs.

Administrative expenses
Administrative expenses recognise costs incurred during the year regarding management and administration of the group, inclusive of costs relating to the administrative staff, executives, office premises, office expenses, etc. and related amortisation.

Other operating income
Other operating income includes items of a secondary nature in relation to the group enterprises' principal activities, including management fee, royalty fee and profit from sale of intangible and tangible fixed assets.

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
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
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

Tangible fixed assets
Other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses.

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:

	Useful life	Residual value
Other plant, fixtures and equipment...	3-5 years	0-30 %

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively".

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 company's balance sheet under the equity method.

Investments in subsidiaries are measured in the balance sheet at the proportional share of the enterprises' carrying equity value, calculated in accordance with the parent company's accounting policies with deduction or addition of unrealised intercompany profits or losses and with addition or deduction of the residual value of positive or negative goodwill.

Net revaluation of investments in subsidiaries and associates is transferred under the equity to reserve for net revaluation under the equity value method to the extent that the carrying amount exceeds the acquisition value.

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

Deposits include rental deposits which are recognised and measured at amortised cost. Deposits are not depreciated.

ACCOUNTING POLICIES

Impairment of fixed assets
The carrying amount of 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.

Receivables
Receivables are measured at amortised cost which usually corresponds to nominal value. The value is reduced by impairment losses to meet expected losses assessed based on aging.

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.

The company is subject to joint taxation with Danish group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the on account tax scheme. Joint taxation contributions receivable and payable are recognised in the balance sheet under current assets and liabilities, respectively.

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

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against 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 under the legislation in force on the balance sheet date will 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.

Liabilities are split into short-term and long-term part based on expected repayment period. Liabilities with expected repayment period within 1 year are recognized as short terms.

Liabilities related to bank debt (loans and factoring) are presented as bank debt.

There is company policy to set up accruals to recognize the costs in the period when they are incurred based on already known amounts. Company also recognizes the provisions for possible futures expenses on condition that they would be present obligation arisen as a result of past event, payment is probable and the amounts can be reliably estimated.

Accruals and provisions are recognized generally under Other Debt. Specifically Holiday Provision is presented under Other Debt.

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.

If the foreign exchange position is considered to hedge future cash flows, the unrealised exchange adjustments are recognised directly in the equity.

Receivables, payables and other monetary items in foreign currencies that are not settled on the balance sheet date are translated at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the exchange rate at the time of occurrence of the receivables or payables is recognised in the income statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.

On recognition of foreign subsidiaries that are not independent entities, but integrated entities, monetary items are translated at the exchange rate on the balance sheet date. Non-monetary items are translated at the rate at the time of acquisition or at the time of subsequent revaluation or writedown of the asset. The items of the income statement are translated at the rate on the transaction date, items derived from non-monetary items being translated at the historic rates of the non-monetary item.

The income statements of foreign subsidiaries and associates fulfilling the criteria for being independent entities are translated at an average exchange rate for the month and balance sheet items are translated at the rate of exchange on the balance sheet date. Exchange differences arising from translation of the equity of foreign subsidiaries at the beginning of the year to the rates of the balance sheet date and from translation of income statements from average rate to the rates of the balance sheet date are recognised directly in the equity.

Exchange adjustments of intercompany accounts with foreign subsidiaries that are deemed to be an addition to or deduction from the equity of independent subsidiaries are recognised directly in the equity.