– wheel meet again!

Starco Europe A/S

Annual report 2015

Approved at the Company's annual general meeting on 31 May 2016

Chairman:

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Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Starco Europe A/S for the financial year 1 January - 31 December 2015.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2015 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 January - 31 December 2015.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the Company's operations and financial position.

On May 17th 2016 STARCO and the German wholesaler Bohnenkamp signed an agreement. The agreement will have a significant positive impact on STARCO's net result and balance sheet for 2016 with significantly lower net interest bearing debt and total assets. The agreement is subject to approval by the Russian anti competition authorities before the agreement takes place. Reference is made to outlook in the management review for further information.

We recommend that the annual report be approved at the annual general meeting.

Skovby, 31 May 2016
Executive Board:

Richard Stephen Todd
CEO

Karsten Ehlig Petersen
CFO

Board of Directors:

Carl Evald Bakke-Jacobsen
Chairman

Peter Thorsen

Aleksejs Dremacs

Hervé Frédéric Richert

Independent auditors' report

To the shareholders of Starco Europe A/S

Independent auditors' report on the consolidated financial statements and the parent company financial statements

We have audited the consolidated financial statements and the parent company financial statements of Starco Europe A/S for the financial year 1 January - 31 December 2015, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as for the parent company and consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of consolidated financial statements and parent company financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2015 and of the results of the Group's and the parent company's operations and consolidated cash flows for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Aarhus, 31 May 2016
ERNST & YOUNG
Godkendt Revisionspartnerselskab

Morten Friis State Authorised Public Accountant	Hans Peter Roug State Authorised Public Accountant

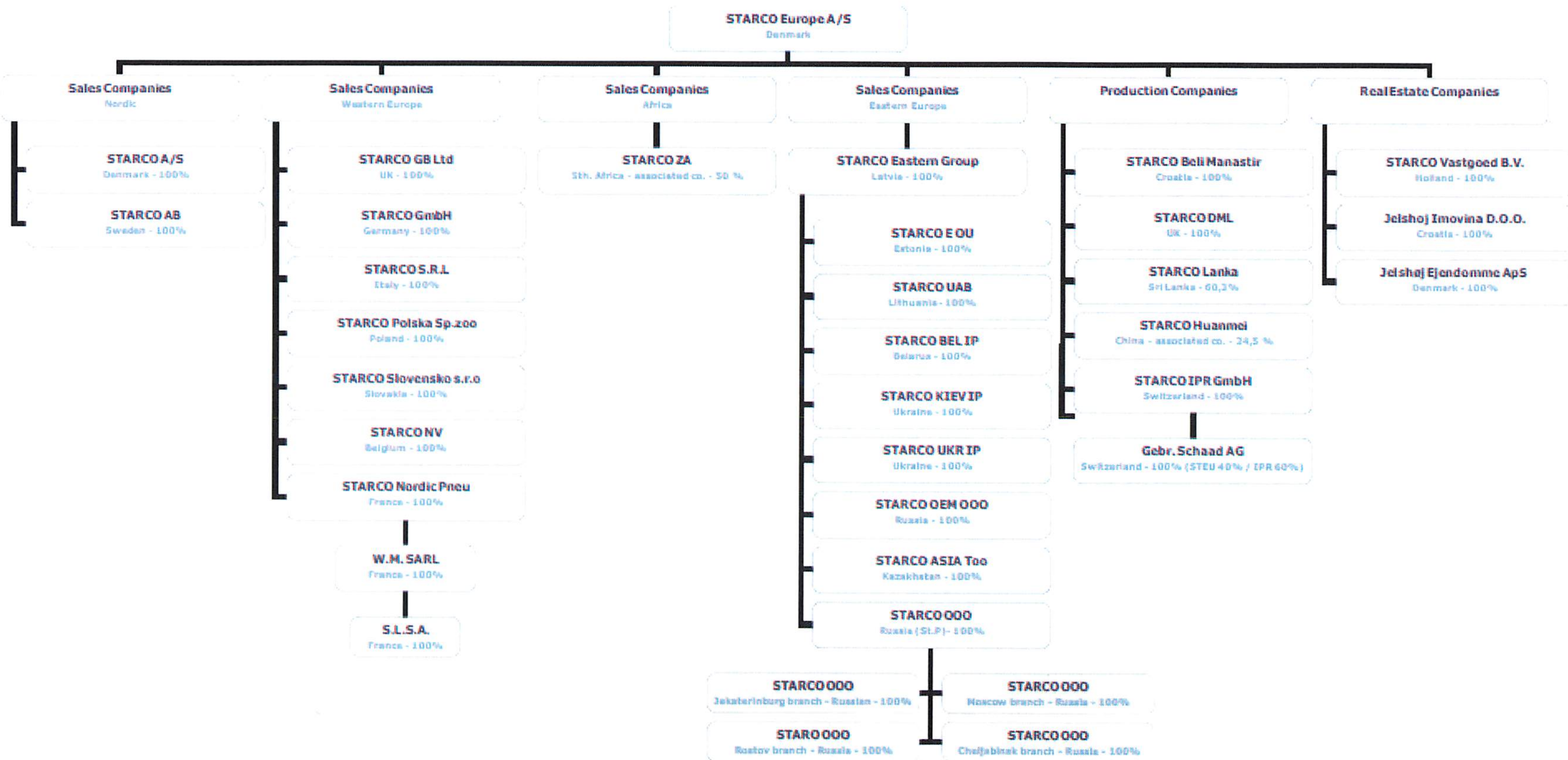
Management's review

Company details

Name	Starco Europe A/S
Address, zip code, city	Bizonvej 4, Skovby, DK-8464 Galten
CVR no.	14 33 97 01
Established	1 June 1990
Registered office	Skanderborg
Financial year	1 January - 31 December
Website	www.Starco.com
Telephone	+45 87 54 00 00
Fax:	+45 87 54 00 10
Board of Directors	Carl Evald Bakke-Jacobsen, Chairman Aleksejs Dremacs Hervé Frédéric Richert Peter Thorsen
Executive Board	Richard Stephen Todd Karsten Ehlig Petersen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25, DK-8000 Aarhus C

Management's review

Group chart



Management's review

Financial highlights for the Group

DKK'000	2015	2014	2013	2012	2011
Key figures					
Revenue	1,011,483	1,025,393	1,024,435	1,017,957	958,987
Gross margin	318,026	333,738	328,880	301,859	305,195
Profit/Loss before net financials	14,349	41,657	32,805	273	70,615
Net financials	-43,082	-40,600	-32,091	-23,916	-32,791
Profit/loss before tax	-28,733	1,057	624	-21,959	38,763
Net profit/loss for the year prior minority interests	-35,520	-6,506	-3,630	-26,635	29,014
Net profit/loss for the year	**-34,702**	**-6,141**	**-3,023**	**-25,073**	**27,188**
Shareholders' equity incl. minority interests and subordinated loan capital at year-end	86,106	114,708	114,283	123,805	142,465
Shareholders' equity at year-end	27,403	53,790	55,490	60,930	84,336
Total assets	591,751	664,207	666,223	671,097	647,745
Cashflows from operating activities	48,436	18,185	30,384	9,004	22,652
Investments in property, plant and equipment	23,011	22,951	22,085	42,465	36,422
Number of employees	578	593	580	546	442
Financial ratios					
Gross margin ratio	31,4%	32,5 %	32.1 %	29.7%	31.8 %
Return on assets	2,4%	6,3 %	4.9 %	0.0 %	11.6 %
Equity ratio	4,6%	8,1 %	8.3 %	9.1 %	13.0 %
Equity ratio incl. minority interests and subordinated loan capital	14,6%	17,3 %	17.1 %	18.4 %	22.0 %
Return on equity	-126,6%	-11,4 %	-5.1 %	-34.5 %	42.1 %

The financial ratios have been prepared in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.

Management's review

Operating review

Principal activities

The Starco Group is Europe's leading supplier of special tyres and wheels for selected segments. Activities comprise production via own and associated companies in England, Croatia, Sri Lanka and China, sales handled by own sales companies mainly in Western Europe and the former CIS countries and via an associate company in South Africa and external distributors throughout the world.

Starco Group is represented in 22 countries, generating annual revenue in the range of DKK 1 billion (EUR 135 million).

More details about the group's activities and business and market strategies can be found at www.starco.com. The company is the parent company for the group's sales, production and real estate entities. The company sets the strategic guidelines for the entire group's product and market development activities.

Development in activities and financial matters

The Group's income statement for 2015 shows a pre-tax result of minus DKK 29 million, a net result of minus DKK 35 million and the balance sheet at December 2015 shows equity, including minorities, of DKK 29 million. With subordinated loan capital of DKK 57 million, the capital base totals DKK 86 million, giving an equity ratio of 14,6 %.

The net result is not in line with the expectations and this mainly due to lower margins, but also restructuring costs during the last part of the year. The net result for 2015 is not satisfactory.

The average number of employees in the group is 578 in 2015.

Investments

On group level net investments including disposals amounted to DKK 19 million, primarily relating to machinery and tooling in the factories.

Outlook

On May 17th 2016 STARCO and the German wholesaler Bohnenkamp signed an agreement that results in Bohnenkamp taking over STARCO's aftermarket operations in Scandinavia, Benelux and Germany. Bohnenkamp is also taking over aftermarket as well as OEM customers in STARCO Eastern Group (excluding the customers manufacturing high speed trailers). Furthermore, STARCO is taking over Bohnenkamp's high speed trailers OEM customers. STARCO keeps all other OE and Aftermarket business. The agreement is subject to approval by the Russian anti competition authorities before the transactions take effect, which is expected to be 1 July 2016.

This allows STARCO to become an even stronger partner in wheel and tyre solutions for STARCO's key customers. The agreement will free up cash to invest further in teaming up with customers and understanding their requirements, specialising STARCO's engineering competences, and strengthening STARCO's manufacturing, distribution and overall service setup.

The agreement with Bohnenkamp will have a positive impact on the balance sheet for the group, with significantly lower Net Interest Bearing Debt and Total Assets. The remainder of 2016 will be used to fully integrate and align a new segment-driven structure as well as implementing the manufacturing, distribution and overall service setup.

The net result for 2016 will be highly influenced by the agreement with Bohnenkamp. The company expects a positive result for 2016 from ordinary activity. Including the effect from the agreement with Bohnenkamp the company expects a significant positive result.

Management's review

Risks

General risks

In general, it is the policy of the Company that all substantial risks are being identified and evaluated. The aim is to eliminate or reduce risks and the management controls that individual entities do not actively speculate in any form of financial risk.

The Company has established and implemented a global all-risk insurance policy as well as a product liability insurance to ensure that all legal entities around the Group are adequately insured.

Credit risks

Throughout 2015 STARCO has continued offering payment terms to the majority of the customers in Western Europe, while reducing the credit risk in Eastern Europe by lowering the activity, but also by taking the far majority of the customers on cash terms.

Currency and interest rate risks

As the Group's sales and sourcing activities are widely spread throughout the world, the fluctuation in relevant currencies impacts on the financial results of the Company. In Eastern Europe the Companies effectively use EUR as the functional currency, which reduces the risk related to currency fluctuations and throughout the group, STARCO uses financial instruments to reduce the risk of adverse developments in currencies.

Capital structure and liquidity risks

The Group's financial planning is performed with the objective of ensuring sufficient liquid funds, while at the same time minimising the cost of capital.

At group level, the Company has debt in Danish and foreign banks, with whom the Group has good and longstanding relationships. Furthermore, the Group is financed via subordinated loan capital.

Based on management expectations to the financial year 2016 management finds that the group have sufficient liquidity available to continuing the current business. If the agreement with Bohnenkamp is approved by the relevant authorities the capital structure and liquidity base will improve significantly.

Intellectual capital

The Group's intellectual capital is primarily linked to its substantial competences in developing, producing and marketing complete rims, tyres and wheels for the customers within its core segments. Furthermore, the STARCO brand has gained great respect, a large degree of recognition and a strong reputation in the market for special wheels and is today seen as a valuable asset to the Group.

Corporate Social Responsibility

The Company has not developed a Corporate Social Responsibility strategy or policies for climate and human rights but observes the environmental rules of the countries in which it operates. Again in 2015, further efforts were made to bring down the number of accidents at work, and the group safety policy has been further developed and implemented. Internally, this is an obvious focus area as the groups KPI's shows "Health and Safety" as the most important KPI. Furthermore, the Company has continuous training sessions supported by the Danish development organisation Danida, focusing on safety and general CSR issues, with its employees in China and Sri Lanka as the need for such training and education is higher in these countries. The Company's activities do not present any direct risk to the surrounding environment.

Management's review

Gender Composition

The STARCO Group operates in activities and markets which primarily employ men. Currently, there are no women on the Board of Directors.

Currently, there is one woman of total six members in Group Management which is in line with prior target.

The policy for female members on the Board of Directors as well as in Group Management is to include females in the search when a position is being replaced. The target is to have one woman at the Board of Directors as and the new target is to have two women in Group Management before the end of 2017.

The current Board of Directors has been reduced by 1 person during 2015 and no search for a new Board member has been initiated during 2015.

Research and development activities

The Company is continuously investing in the development of new products and product improvements in order to meet specific customer demands within its core segments. The Company is also developing new technologies to improve the performance of the products and to reduce the cost to market.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Income statement

Note	DKK'000	Consolidated 2015	Consolidated 2014	Parent company 2015	Parent company 2014
	Revenue	1,011,483	1,025,393	91,230	111,092
	Cost of sales	-693,457	-691,655	-89,327	-102,797
	Other external costs	-124,528	-123,659	-26,436	-13,187
	Gross profit	193,498	210,079	-24,533	-4,892
4	Staff cost	-144,262	-138,686	-19,247	-12,715
	Other operating income	390	1,152	35,816	25,919
5	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-26,435	-28,514	-2,685	-3,159
	Restructuring costs	-8.842	-2,374	0	-1,181
	Profit/loss before net financials	14,349	41,657	-10,649	3,972
6	Financial income	863	609	3,400	3,617
11	Income from investments in group entities and associates	-6.783	-1,348	-10,713	-1,598
7	Financial expenses	-37,162	-39,861	-17,088	-13,581
	Profit/loss before tax	-28,733	1,057	-35,050	-7,590
8	Tax for the year	-6,787	-7,563	348	1,449
	Profit/loss after tax	-35,520	-6,506	-34,702	-6,141
	Minority interests' in the net profit/loss for the year	818	365	0	0
	Net profit/loss for the year	-34,702	-6,141	-34,702	-6,141

Appropriation of profit/loss

DKK'000	2015	2014
Retained earnings/Accumulated loss	43,470	45,170
Changes in retained earnings, cf. the statement of changes in equity	8,315	4,441
Net profit for the year	-35,770	-6,141
Reserve for net revaluation under the equity method	1,068	0
	17,083	43,470

The Supervisory Board recommends the following appropriation of the profit:

Retained earnings / Accumulated loss	16,015	43,470
Reserve for net revaluation under the equity method	1,068	0
	17,083	43,470

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	Consolidated 2015	Consolidated 2014	Parent company 2015	Parent company 2014
	ASSETS				
	Non-current assets				
9	**Intangible assets**				
	Patents	804	1,146	130	211
	Goodwill	7,372	12,354	0	0
		8,176	13,500	130	211
10+15	**Property, plant and equipment**				
	Land and buildings	115,031	114,274	0	0
	Leasehold improvements	3,160	2,601	0	0
	Fixtures and fittings, tools and equipment	87,237	86,759	6,549	7,657
	Prepayments for property, plant and equipment	584	657	0	0
		206,012	204,291	6,549	7,657
	Investments				
11	Investments in group enterprises	0	0	239,098	243,160
11	Investments in associates	10,299	10,171	10,299	10,171
	Other receivables	92	140	97	97
		10,391	10,311	249,494	253,428
	Total non-current assets	224,579	228,102	256,173	261,296
	Current assets				
	Inventories				
	Manufactured goods and goods for resale	205,664	259,849	2,909	3,366
		205,664	259,849	2,909	3,366
	Receivables				
	Trade receivables	96,377	102,419	3,188	3,947
	Receivables from group enterprises	0	0	55,366	76,750
	Receivables from associates	4,277	4,374	4,277	4,374
	Other receivables	23,489	20,561	786	831
	Tax receivable	1,306	969	437	441
	Deferred tax asset	15,046	17,088	0	0
	Prepayments	4,683	11,408	1,713	1,188
		145,178	156,819	65,767	87,531
	Cash	16,330	19,437	8	11
	Total current assets	367,172	436,105	68,676	90,908
	TOTAL ASSETS	591,751	664,207	324,857	352,204

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Balance sheet

		Consolidated		Parent company	
Note	DKK'000	2015	2014	2015	2014
	EQUITY AND LIABILITIES				
	Equity				
12	Share capital	10,320	10,320	10,320	10,320
	Reserve for net revaluation under the equity method	1,068	0	1,068	0
	Retained earnings	16,015	43,470	16,015	43,470
	Total shareholders' equity	27,403	53,790	27,403	53,790
13	**Minority interests**	1,513	2,254	0	0
	Provisions				
14	Deferred tax	10,071	10,310	373	0
	Other provisions	5,697	6,131	0	0
	Total provisions	15,768	16,441	373	0
	Liabilities				
15	**Subordinated loan capital**	57,190	58,664	56,220	56,220
15	**Non-current liabilities**				
	Other credit institutions	34,864	65,659	0	0
		92,054	124,323	56,220	56,220
	Current liabilities other than provisions				
15	Current portion of non-current liabilities other than provisions	37,347	13,600	0	0
16	Other credit institutions	285,367	309,310	131,177	187,438
	Trade payables	86,264	105,305	6,203	7,908
	Prepayments received from customers	5,042	1,368	0	0
	Payables to group enterprises	0	0	85,493	32,302
	Payables to associates	12,078	8,915	12,078	8,915
	Income taxes	2,312	2,967	0	0
	Other payables	26,603	25,934	5,910	5,631
		455,013	467,399	240,861	242,194
	Total liabilities	547,067	591,722	297,081	298,414
	TOTAL EQUITY AND LIABILITIES	591,751	664,207	324,857	352,204

"Notes"
1 Accounting policies
2 Critical accounting estimates and judgements
17 Mortgages and collateral
18 Contingent liabilities and other financial obligations
19 Related parties
20 Fees to the auditors appointed by the company in general meeting

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Statement of changes in equity

	Consolidated			
DKK'000	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
Equity at 1 January 2014	10,320	0	45,170	55,490
Foreign currency adjustments, foreign subsidiaries	0	0	3,162	3,162
Value adjustments of hedging instruments	0	0	1,640	1,640
Tax on changes in equity	0	0	-361	-361
Transferred, see profit appropriation/distribution of loss	0	0	-6,141	-6,141
Equity at 1 January 2015	10,320	0	43,470	53,790
Foreign currency adjustments, foreign subsidiaries	0	0	6,994	6,994
Value adjustments of hedging instruments	0	0	1,694	1,694
Tax on changes in equity	0	0	-373	-373
Transferred, see profit appropriation/distribution of loss	0	1,068	-35,770	-34,702
Equity at 31 December 2015	10,320	1,068	16,015	27,403

	Parent company			
DKK'000	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
Equity at 1 January 2014	10,320	0	45,170	55,490
Foreign currency adjustments, foreign subsidiaries	0	0	3,162	3,162
Value adjustments of hedging instruments	0	0	1,640	1,640
Tax on changes in equity	0	0	-361	-361
Transferred, see profit appropriation/distribution of loss	0	0	-6,141	-6,141
Equity at 1 January 2015	10,320	0	43,470	53,790
Foreign currency adjustments, foreign subsidiaries	0	0	6,994	6,994
Value adjustments of hedging instruments	0	0	1,694	1,694
Tax on changes in equity	0	0	-373	-373
Transferred, see profit appropriation/distribution of loss	0	1,068	-35,770	-34,702
Equity at 31 December 2015	10,320	1,068	16,015	27,403

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Consolidated Cash flow statement

DKK'000	Note	Consolidated 2015	Consolidated 2014
Net profit for the year		-34,702	-6,141
Changes	21	78,470	62,786
Changes in working capital	22	47,400	-4,379
Cash flows from operating activities before net financials		91,168	52,266
Interest received		863	609
Interest paid		-37,162	-28,446
Income taxes paid		-6,433	-6,244
Cash flows from operating activities		48,436	18,185
Additions of intangible assets		-528	-126
Additions of property, plant and equipment		-23,011	-22,951
Additions of investments in associates and minorities		0	-6,950
Disposals of property, plant and equipment		4,461	1,722
Other investments		0	30
Dividend received		0	3,568
Cash flows from investing activities		-19,078	-24,707
Owners:			
Changes in capital, minority interests		0	1,633
Loan financing:			
Repayments, long-term liabilities		-9,713	0
Contracting of long-term liabilities		1,191	17,480
Cash flows from financing activities		-8,522	19,113
Net cash flow for the year		20,836	12,591
Cash and cash equivalents at 1 January		-289,873	-302,464
Cash and cash equivalents at 31 December		-269,037	-289,873

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements and the parent company financial statements.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Starco Europe A/S for 2015 has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

The accounting policies used in the preparation of the consolidated financial statements and the parent company financial statements are consistent with those of last year.

Reportering currency

The Annual Report is presented in Danish kroner.

Consolidated financial statements

The consolidated financial statements comprise the parent company, Starco Europe A/S, and subsidiaries in which Starco Europe A/S directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls. Enterprises in which the Group holds between 20% and 50% of the voting rights and over which it exercises significant influence, but which it does not control, are considered associates, see the group chart.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on intra-group transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets or liabilities at the acquisition date.

Business combinations

Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of are recognised in the consolidated income statement until the date of disposal. The comparative figures are not adjusted for acquisitions or disposals.

Gains or losses on disposal of subsidiaries and associates are stated as the difference between the sales amount and the carrying amount of net assets at the date of disposal plus non-amortised goodwill and anticipated disposal costs.

Acquisitions of enterprises are accounted for using the acquisition method, according to which the identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition. Provision is made for costs related to adopted and announced plans to restructure the acquired enterprise in connection with the acquisition. The tax effect of the restatement of assets and liabilities is taken into account.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset, not exceeding 20 years. Any excess of the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition (negative goodwill), representing an anticipated adverse development in the acquired enterprises, is recognised in the balance sheet as deferred income and recognised in the income statement as the adverse development is realised. Negative goodwill not related to any anticipated adverse development is recognised in the balance sheet at an amount corresponding to the fair value of non-monetary assets. The amount is subsequently recognised in the income statement over the average useful lives of the non-monetary assets.

Goodwill and negative goodwill from acquired enterprises can be adjusted until the end of the year following the year of acquisition.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

Intra-group business combinations

In connection with business combinations such as acquisition and disposal of equity investments, mergers, demergers, addition of assets and exchange of shares, etc., involving enterprises controlled by the parent company, the uniting-of-interests method is used. Differences between the agreed consideration and the carrying amount of the acquired enterprise are recognised in equity. Moreover, comparative figures for previous financial years are restated.

Minority interests

Minority interests in group enterprises' results of operations and shareholders' equity are shown separately in the consolidated financial statements.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Foreign subsidiaries and associates are considered separate entities. The income statements are translated at the average exchange rates for the month, and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of intra-group balances with independent foreign subsidiaries which are considered part of the investment in the subsidiary are recognised directly in equity. Foreign exchange gains and losses on loans and derivative financial instruments designated as hedges of foreign subsidiaries are also recognised directly in equity.

On recognition of foreign subsidiaries which are integral entities, monetary items are translated at the exchange rates at the balance sheet date. Non-monetary items are translated at the exchange rates at the acquisition date or at the date of any subsequent revaluation or impairment of the asset. Income statement items are translated at the exchange rates at the transaction date, although items derived from non-monetary items are translated at the historical exchange rates applying to the non-monetary items.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised in other receivables or other payables and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects profit or loss.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement on a regular basis.

Changes in the fair value of derivative financial instruments used to hedge net investments in independent foreign subsidiaries or associates are recognised directly in equity.

Income statement

Revenue

Income from the sale of goods for resale and finished goods, comprising of sales of tyres and wheels, is recognised in the income statement when delivery and transfer of risk to the buyer have taken place and provided that the income can be reliably measured and is expected to be received.

Revenue is measured at fair value of the agreed consideration ex. VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Other external costs

Other external costs include expenses related to distribution, sale, advertising, administration, premises, bad debts, lease payments under operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance and pensions, and other social security costs, etc., for the Company's employees. Refunds received from public authorities are deducted from staff costs.

Other operating income

Other operating income comprises items secondary to the activities of the enterprises.

Restructuring costs

Restructuring costs include all costs related to the restructuring in the Group. The costs are related to redundancy and external assistance.

Profits/losses from investments in subsidiaries and associates

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement of the parent company after full elimination of intra-group profits/losses.

The proportionate share of the results after tax of the associates is recognised in both the consolidated income statement and the parent company income statement after elimination of the proportionate share of intra-group profits/losses.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

The parent company is covered by the Danish rules on compulsory joint taxation of the Starco Europe Group's Danish subsidiaries. Subsidiaries form part of the joint taxation from the date on which they are included in the consolidation of the consolidated financial statements and up to the date on which they exit the consolidation.

The parent company is the administrative company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

The current Danish corporation tax is allocated by settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carryforwards receive joint taxation contribution from companies that have used these losses to reduce their own taxable profits.

Tax for the year comprises current tax, joint taxation contributions for the year and changes in deferred tax for the year - due to changes in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Intangible assets

Goodwill

Goodwill is amortised over its estimated useful life determined on the basis of Management's experience of the specific business areas. Goodwill is amortised on a straight-line basis over a maximum amortisation period of 5 years, longest for strategically acquired enterprises with strong market positions and long-term earnings profiles.

Patents

Patents are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining patent period although not exceeding 5 years.

Gains and losses on the disposal of patents are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating costs, respectively.

Property, plant and equipment

Land and buildings and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, subsuppliers, and wages and salaries.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Buildings	50 years
Fixtures and fittings, tools and equipment	3-7 years

Depreciation is recognised in the income statement in the line amortisation/depreciation and impairment of intangible assets and property, plant and equipment.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as amortisation/depreciation and impairment of intangible assets and property, plant and equipment.

Leases

Leases for non-current assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are initially recognised in the balance sheet at cost, corresponding to the lower of fair value and the net present value of future lease payments. In calculating the net present value of the future lease payments, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Company's other non-current assets.

The capitalised residual lease obligation is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

All other leases are operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed in contingent liabilities, etc.

Investments in subsidiaries and associates

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

Investments in subsidiaries and associates are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the Group's accounting policies minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the acquisition method.

Investments in subsidiaries and associates with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down if the amount owed is irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

Net revaluation of investments in subsidiaries and associates is recognised in the reserve for net revaluation in equity under the equity method to the extent that the carrying amount exceeds cost. Dividends from subsidiaries which are expected to be adopted before the approval of the annual report of Starco Europe A/S are not recognised in the reserve for net revaluation.

On acquisition of subsidiaries, the acquisition method is applied, see Consolidated financial statements above.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment as well as investments in subsidiaries and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the expected net cash flows from the use of the asset or the group of assets and expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Manufactured goods are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, a write-down is made based on an individual assessment.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity

Reserve for net revaluation according to the equity method

Net revaluation of investments in subsidiaries and associates is recognised at cost in the reserve for net revaluation according to the equity method.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

The reserve may be eliminated in case of losses, realisation of investments or a change in accounting estimates.

The reserve cannot be recognised at a negative amount.

Dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

In its capacity as the administrative company, Starco Europe A/S is liable for its subsidiaries' corporation taxes towards the tax authorities concurrently with the payment of joint taxation contribution by the subsidiaries.

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Joint taxation contribution payable and receivable is recognised in the balance sheet as "Corporation tax receivable" or "Corporation tax payable".

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where different tax rules can be applied to determine the tax base, deferred tax is measured based on Management's planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Provisions

Provisions comprise anticipated costs related to warranties, losses on work in progress, restructurings, etc. Provisions are recognised when, as a result of past events, the Group has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at net realisable value or fair value. If the obligation is expected to be settled far into the future, the obligation is measured at fair value.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

Financial liabilities also include the capitalised residual obligation on finance leases.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income comprises negative goodwill, see the description of consolidation practice, and payments received concerning income in subsequent years.

Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and disposals of enterprises is shown separately in cash flows from investing activities. Cash flows from acquisitions of enterprises are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of enterprises are recognised up until the date of disposal.

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are subject to an insignificant risk of changes in value.

Segment information

Information is provided on geographical markets. Segment information is based on the Group's accounting policies, risks and internal financial management.

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

Return on assets $\dfrac{\text{Profit/loss before net financials x 100}}{\text{Average, totalled assets}}$

Gross margin $\dfrac{\text{Gross profit x 100}}{\text{Revenue}}$

Equity ratio $\dfrac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$

Equity ratio incl. minority interests and subordinated loan at year-end

$\dfrac{\text{Equity incl. minority interests and subordinated loan capital x 100}}{\text{Total equity and liabilities at year end}}$

Return on equity $\dfrac{\text{Net profit / loss for the year x 100}}{\text{Average equity}}$

2 Critical accounting estimates and judgements

Determining the carrying amount of certain assets and liabilities requires estimates of how future events will affect the value of these assets and liabilities at the balance sheet date. The volatility of the global economy and the financial markets makes it difficult to forecast the development of future key assumptions - such as liquidity risk, credit risk and interest level etc. Therefore, Starco provides additional information about items in the consolidated financial statements and the parent company financial statements whose carrying amount is at risk of being adjusted considerably over the next few years.

Estimates which are significant for the preparation of the financial statements include goodwill, assessment of depreciation, amortization and impairment of non-current assets, measurement of deferred tax assets and measurement of inventories and trade receivables. The estimates used are based on Management assumptions which are assessed to be reliable, but which are inherently subject to uncertainty. Accordingly, the Company is subject to risks and uncertainties which may cause actual results to differ from these estimates.

Impairment of goodwill

In performing the annual impairment test of goodwill, an assessment is made of whether the individual units of the enterprise (cash generating units) to which goodwill relates will be able to generate sufficient positive net cash flows to support the value of goodwill and other net assets of the unit. Due to the nature of the Company's operations, estimates have to be made of expected cash flows many years into the future, which will be subject to some degree of uncertainty. This uncertainty is reflected in the chosen discount rate.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

2 **Critical accounting estimates and judgements (continued)**

Useful life and residual value of intangible and tangible assets

Intangible and tangible assets are measured at cost less accumulated amortization, depreciation and impairment. Amortization and depreciation is made on a straight-line basis over the useful lives of the assets, taking into account the asset's residual value. Expected useful lives and residual values are determined based on historical experience and expectations of the future use of the assets. The expectations for future use and residual values may not be met, which may lead to a future reassessment of useful lives and residual values and a need for impairment write-downs or the incurrence of losses on the disposal of the assets. The amortization and depreciation periods used are described in the accounting policies, and the value of intangible and tangible assets is disclosed in notes 9, *Intangible assets* and 10, *Property, plant and equipment*.

Measurement of recognised tax assets

Deferred taxes, including the tax value of tax loss carryforwards, are recognised at their expected value. The assessment of deferred tax assets regarding tax loss carryforwards is based on the expected future taxable income of the respective units and the expiration date of the losses.

Measurement of inventories

Inventories are recognised at the lower of cost and net realisable value. The net realisable value of inventories is calculated based on the size of the inventory and decreases in the replacement cost of purchased raw materials, technical obsolescence (e.g. faulty products), physical obsolescence (e.g. damaged products) or financial obsolescence (e.g. reduced demand). Write-downs of inventories are based on an individual assessment of a product or product group and expected future product sales.

Provisions for bad debts on trade receivables and other receivables

Receivables are measured at amortised cost less provision for bad debts. Provisions for bad debts are based on an individual assessment of each receivable. If a customer's financial condition deteriorates, and thus the ability to meet the payment obligation to Starco, further provisions may be required in future accounting periods.

3 **Segment information**

Geographical - secondary segment

DKK'000	Nordic	WEST	EAST	Consoli-dated, total
2015				
Revenue	79,767	682,427	248,289	1,011,483

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

4 Staff costs

DKK'000	Consolidated 2015	Consolidated 2014	Parent company 2015	Parent company 2014
Analysis of staff costs:				
Wages and salaries	118,778	111,046	20,752	14,318
Pension costs	13,689	13,842	1,209	1,215
Other social security costs	10,420	9,573	0	0
Other staff costs	7,841	5,582	1,551	746
Reinvoiced salaries	0	0	-4,265	-2.724
	150,728	140,043	19,247	13,555
Hereof restructuring costs, included in a seperate line called restructuring cost	-6,466	-1,357	0	-840
	144,262	138,686	19,247	12,715
Average number of full-time employees	578	593	16	18

Remuneration of the parent company Executive Board of DKK 2,106 thousand (2014: DKK 2,506 thousand) and remuneration of the parent company Board of Directors of DKK 1,767 thousand (2014: DKK 150 thousand) are included in staff costs.

5 Amortisation/depreciation and impairment of intangible assets and property, plant and equipment

DKK'000	Consolidated 2015	Consolidated 2014	Parent company 2015	Parent company 2014
Patents	444	416	81	86
Goodwill	5,938	6,650	0	0
Buildings	1,860	1,740	0	0
Leasehold improvements	593	444	0	0
Fixtures and fittings, tools and equipment	18,447	18,349	2,705	3,073
	27,282	27,599	2,786	3,159
Profit/loss on the sale of property, plant and equipment	-847	915	-101	0
	26,435	28,514	2,685	3,159

6 Financial income

	Consolidated 2015	Consolidated 2014	Parent company 2015	Parent company 2014
Interest receivable, group enterprises	0	0	2,920	3,608
Other interest receivable and similar income	863	609	480	9
	863	609	3,400	3,617

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

		Consolidated		Parent company	
	DKK'000	2015	2014	2015	2014
7	**Financial expenses**				
	Interest payable, group enterprises	0	0	1,370	877
	Interest payable and similar expenses	29,573	28,446	15,542	13,499
	Currency exchange regulation	7,589	11,415	176	-795
		37,162	39,861	17,088	13,581
8	**Tax for the year**				
	Estimated income tax charge, excl. interest surcharges	6,147	6,267	-437	-441
	Change in provision for deferred tax	640	1,657	0	433
	Changes due to prior year	0	0	89	-1,080
		6,787	7,924	-348	-1,088
	Specified as follows:				
	Tax for the year	7,160	7,563	-721	-1,449
	Tax on items recognised directly in equity	373	361	373	361
	Tax on the result for the year	6,787	7,924	-348	-1,088

9 **Intangible assets**

	Consolidated		
DKK'000	Patents	Goodwill	Total
Balance at 1 January 2015	4,425	37,075	41,500
Reclassification of cost and adjustments	0	5,337	5,337
Foreign currency adjustments, foreign entities	389	722	1,111
Additions	0	0	0
Disposals in the year	0	0	0
Cost at 31 December 2015	4,814	43,134	47,948
Amortisation and write-downs			
Balance at 1 January 2015	3,279	24,721	28,000
Reclassification of cost and adjustments	0	4,807	4,807
Foreign currency adjustments, foreign entities	287	296	583
Amortisation in the year	444	5,938	6,382
Accumulated amortisation and write-downs of disposals	0	0	0
Impairment losses and amortisation at 31 December 2015	4,010	35,762	39,772
Carrying amount at 31 December 2015	804	7,372	8,176
Amortised over	5 years	5 years	

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

9 Intangible assets (continued)

DKK'000	Parent company Patents	Total
Balance at 1 January 2015	531	531
Exchange adjustment	0	0
Additions in the year	0	0
Disposals in the year	0	0
Cost at 31 December 2015	531	531
Amortisation and write-downs		
Balance at 1 January 2015	320	320
Foreign currency adjustments, foreign entities	0	0
Amortisation in the year	81	81
Accumulated amortisation and write-downs of disposals	0	0
Amortisation and write-downs at 31 December 2015	401	401
Carrying amount at 31 December 2015	130	130
Amortised over	5 years	-

10 Property, plant and equipment

DKK'000	Consolidated Land and buildings	Leasehold improvement	Fixtures and fittings, tools and equipment	Prepayment property, plant and equipment	Total
Balance at 1 January 2015	123,233	8,815	214,653	657	347,358
Reclassification of cost and adjustments	3,560	-376	-1,141	0	2,043
Foreign currency adjustments, foreign entities	794	171	5,469	2	6,436
Additions in the year	1,874	1,076	19,477	584	23,011
Disposals in the year	0	0	-12,097	-659	-12,756
Cost at 31 December 2015	129,461	9,686	226,361	584	366,092
Depreciation and write-downs					
Balance at 1 January 2015	8,959	6,214	127,894	0	143,067
Reclassification of cost and adjustments	3,560	-376	-1,141	0	2,043
Foreign currency adjustments, foreign entities	51	95	3,066	0	3,212
Depreciation in the year	1,860	593	18,447	0	20,900
Accumulated depreciation and write-downs of disposals	0	0	-9,142	0	-9,142
Depreciation and write-downs at 31 December 2015	14,430	6,526	139,124	0	160,080
Carrying amount at 31 December 2015	115,031	3,160	87,237	584	206,012
Carrying amount of assets held under finance leases at 31 December 2015 included in the total carrying amount	18,138				
Depreciated over	50 years	3-5 years	3-7 years		

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

10 Property, plant and equipment (continued)

DKK'000	Parent company: Fixtures and fittings, tools and equipment	Parent company: Total
Balance at 1 January 2015	21,141	21,141
Additions in the year	1,670	1,670
Disposals in the year	-3,374	-3,374
Cost at 31 December 2015	19,437	19,437
Depreciation and write-downs		
Balance at 1 January 2015	13,484	13,484
Depreciation in the year	2,705	2,705
Accumulated depreciation and write-downs of disposals	-3,301	-3,301
Depreciation and write-downs at 31 December 2015	12,888	12,888
Carrying amount at 31 December 2015	6,549	6,549
Depreciated over	3-7 years	

11 Investments

Investments in associates

DKK'000	Consolidated: Associates total	Consolidated: Total group enterprises	Consolidated: Total
Balance at 1 January 2015	9,231	0	9,231
Additions of enterprises	0	0	0
Cost at 31 December 2015	9,231	0	9,231
Adjustments			
Balance at 1 January 2015	940	0	940
Foreign currency adjustments, foreign entities	1,603	-1	1,602
Share of net profit or loss for the year	-6,661	-122	-6,783
Negative equity investments offset against receivables	5,186	0	5,186
Dividend	0	0	0
Write-down of total group enterprises	0	123	123
Adjustments at 31 December 2015	1,068	0	1,068
Carrying amount at 31 December 2015	10,299	0	10,299

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

11 Investments (continued)

Investments in group enterprises and associates

DKK'000	Parent company		
	Associates total	Total group enterprises	Total
Balance at 1 January 2015	9,231	297,528	306,759
Reclassification of cost and adjustments	0	-19,008	-19,008
Cost at 31 December 2015	9,231	278,520	287,751
Adjustments			
Balance at 1 January 2015	940	-54,368	-53,428
Reclassification of cost and adjustments	0	19,008	19,008
Foreign currency adjustments, foreign entities	1,603	5,734	7,337
Share of net profit or loss for the year	-6,661	-4,052	-10,713
Negative equity investments offset against receivables	5,186	0	5,186
Dividend	0	-5,744	-5,744
Adjustments at 31 December 2015	1,068	-39,422	-38,355
Carrying amount at 31 December 2015	10,299	239,098	249,397

DKK'000	2015	2014
12 Share capital		
Analysis of the company's share capital, DKK 10,320 thousand:		
10,319,917 shares of DKK 1 each	10,320	10,320
	10,320	10,320

Analysis of changes in the share capital in the last 5 years:

DKK'000	2015	2014	2013	2012	2011
At 1/1	10,320	10,320	10,320	10,320	9,804
Capital increase	0	0	0	0	516
	10.320	10.320	10.320	10.320	10.320

13 Minority interests

DKK'000	31/12 2015	31/12 2014
Minority interests at 1 January	2,254	6,095
Disposals in the year	0	-3,647
Foreign currency adjustments, foreign entities	77	171
Share of net profit or loss for the year	-818	-365
Carrying amount at 31 December 2015	1,513	2,254

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

14 Deferred tax

Group

Deferred tax liabilities totalling DKK 10,071 thousand (2014: DKK 10,310 thousand) have been recognised in the balance sheet. Deferred tax liabilities mainly relates to intangible assets and property, plant and equipment.

Deferred tax assets totalling DKK 15,046 thousand (2014: DKK 17,088 thousand) have been recognised in the balance sheet. Deferred tax assets mainly relates to property, plant and equipment and tax loss carry forward.

Parent company

Deferred tax liabilities totalling DKK 373 thousand (2014: DKK 0 thousand) have been recognised in the balance sheet. Deferred tax liabilities mainly relates to value adjustments of hedging instruments.

Deferred tax assets totalling DKK 0 thousand (2014: DKK 0 thousand) have been recognised in the balance sheet. Deferred tax assets mainly relates to property, plant and equipment and tax loss carry forward. The Company has a deferred tax asset of 5,378 thousand, which is not recognised in the annual report.

15 Long-term liabilities

Group

Of the long-term liabilities, DKK 22,936 thousand falls due for payment after more than 5 years after the balance sheet date.

Breakdown of certain liabilities by long-term and short-term liabilities:

		Subordinated loan capital	
DKK'000	Other credit institutions	Subordinated loan capital, total	Total
0-1 year	37,347	0	37,347
1-5 years	22,688	46,430	69,118
> 5 years	12,176	10,760	22,936
	72,211	57,190	129,401

Of the payables to other credit institutions, DKK 11,916 thousand concerns lease payments.

The Group's financial planning is performed with the objective of ensuring sufficient liquid funds, while at the same time minimising the cost of capital.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

15 Long-term liabilities (continued)

Parent company

Of the long-term liabilities, DKK 0 thousand falls due for payment after more than 5 years after the balance sheet date.

Breakdown of certain liabilities by long-term and short-term liabilities:

		Subordinated loan capital	
DKK'000	Other credit institutions	Subordinated loan capital, total	Total
0-1 year	0	0	0
1-5 years	0	45,460	45,460
> 5 years	0	10,760	10,760
	0	56,220	56,220

16 Other Credit institutions

Group

The Group's financial planning is performed with the objective of ensuring sufficient liquid funds, while at the same time minimizing the cost of capital.

As at 31 December 2015 the Group has total short term drawing facilities of DKK 317 million which results in free cash available of DKK 22 million. The 2016 budget shows that that the Group has sufficient liquid funds available for 2016 and that net cash position will improve by DKK 43 million comparing the end of 2016 to end 2015, which results in expected free cash available of DKK 65 million end of 2016 after planned repayments of loans with DKK 21 million. Including the effect from the agreement with Bohnenkamp, the free cash available will increase further.

17 Mortgages and collateral

Group

There been provided collateral for non-current other credit institutions for land and buildings located in UK, France, Denmark and Poland with a carrying amount of DKK 88,902 thousand.

The following assets have been put up as security for the company's long term liabilities:
Plant and machinery, nominal value of DKK 5,000 thousand, at Starco A/S, Skovby, Galten.

Furthermore the following assets have been put up as security for the company's long term liabilities:
Buildings, plant and machinery, nominal value of EUR 4,045 thousand, at Starco Beli Manastir, Croatia.

In relation to loan in Starco Vastgoed the following assets have been put up as security for the company's long term liabilities EUR 1,736 thousand: Buildings, nominal value of EUR 2,326 thousand.

Starco GB has issued securities in fixed charge on non-vesting debts and floating charge and debentures incorporating full fixed and floating charges over all UK assets to RBSIF bank. Assets, nominal value of GBP 6,852 thousand.

Starco A/S - company charge of DKK 21,000 thousand through an all monies mortgage.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

17 **Mortgages and collateral (continued)**

A charge on assets with a nominal value of EUR 7,000 thousands in Starco NV has been put up as security for payables. The credit institution has acquired right to obtain further charges on assets EUR 500 thousand in Starco NV with a nominel value of EUR 5,000 thousand. The Company has given a Mother Company guarantee for EUR 4,500 thousand towards the credit institution.

The Company has issued a gurantee to ING bank creditfacilities for EUR 4,500 thousand and a gurantee to Swedbank creditfacilities for EUR 107 thousand.

Further, Starco Europe A/S has issued a guarantee as security for Jyske Bank's bank loans to the following subsidiaries:

Starco A/S, Starco NV, Starco GmbH, Starco DML Ltd., Jelshøj Ejendomme ApS, Starco IPR and Starco Eastern Group SIA. The loans total to DKK 76,814 thousand at 31 December 2015.

STARCO Europe is committed to pay maximum KEUR 1,900 to an external supplier if STARCO France is not able pay it obligations to the supplier.

Parent company

The Company has issued a guarantee for Jyske Bank's bank loans to the following subsidiaries: Starco A/S, Starco NV, Starco GmbH, Starco DML Ltd., Jelshøj Ejendomme ApS, Starco IPR and Starco Eastern Group SIA. The loans total to DKK 76,814 thousand at 31 December 2015.

The Company has issued a gurantee to ING bank creditfacilities for EUR 4,500 thousand and a gurantee to Swedbank creditfacilities for EUR 107 thousand.

STARCO Europe is committed to pay maximum KEUR 1,900 to an external supplier if STARCO France is not able pay it obligations to the supplier.

18 **Contingent liabilities and other financial obligations**

Group

DKK'000	2015	2014
Other financial obligations		
Rent payments concerning interminable contract	66,212	76,309
Payments under operating leases concerning cars and computer equipment	6,522	6,736

Parent company

DKK'000	2015	2014
Other financial obligations		
Starco Europe A/S is liable for the rental obligation in the subsidiary Starco GmbH's new logistic centre in Winsen, Germany, until April 2023	34,783	41,919
Guarentee to repay loan to IFU if Starco Lanka is not able to	5,301	5,868
Rent payments concerning a contract which is interminable until 1 January 2023 total	4,190	4,898
Payments under operating leases concerning cars and computer equipment	0	0

The remaining terms are under 1 year.

Starco Europe A/S has agreed to provide financial support to Starco Nordic Pneu until at least to 12 February 2017.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

18 Contingent liabilities and other financial obligations (continued)

Joint taxation

The company is jointly taxed with the Danish subsidiaries. The companies included in the joint taxation have joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties.

19 Related parties

Related parties having a controlling interest in Starco Europe A/S include Hanne Bruun Ejlersgaard due to her percentage interest in Starco Holding ApS and Jelshøj ApS, respectively.

Related party disclosures

Starco Europe A/S' related parties comprise the following:

Parties exercising control

Related parties having a controlling interest in Starco Europe A/S include Hanne Bruun Ejlersgaard due to her percentage interest in Starco Holding ApS and Jelshøj ApS, respectively.

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the voting rights or minimum 5% of the share capital:

Jelshøj ApS
Jelshøjvej 36
8270 Højbjerg

Starco Holding ApS
Bizonvej 4, Skovby
8464 Galten

Kirk & Thorsen Invest A/S
Toldvagten 2
7100 Vejle

Aleksejs Dremacs
Jaunsaules 7a-34,
Riga
Latvia

DKK'000	2015	2014
20 Fees to the auditors appointed by the company in general meeting		
Fee for statutory audit	459	380
Fee for statutory audit in subsidiaries with no election of group auditor	1,343	1,344
Fee for tax consultancy	219	728
Fee for tax consultancy in subsidiaries with no election of group auditor	169	183
Fee for other assurance engagements	0	0
Fee for non-audit services	73	467
Fee for non-audit services in subsidiaries with no election of group auditor	63	281
	2,325	3,383

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK'000		2015	2014
21	**Changes in cash flow statement**		
	Amortisation/depreciation	26,435	28,514
	Provisions	-434	3,235
	Income from investments	6,783	1,348
	Financial income	-863	-609
	Financial expenses	37,161	39,861
	Other changes	3,419	-16,761
	Tax for the year	6,787	7,563
	Minority interests' in the net profit/loss for the year	-818	-365
	Total changes	78,470	62,786

		2015	2014
22	**Changes in working capital, cash flow statement**		
	Changes in receivables	4,750	21,306
	Changes in inventory	54,185	-17,810
	Changes in trade payables	-11,535	-7,875
	Total changes in working capital	47,400	-4,379