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Cycle Service Nordic ApS

Datavej 12
5220 Odense SØ
Central Business Registration No 14412107

Annual report 2017

The Annual General Meeting adopted the annual report on 21.03.2018

Chairman of the General Meeting

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Name: Bo Bækkelund

Contents

Entity details

Entity
Cycle Service Nordic ApS
Datavej 12
5220 Odense SØ

Central Business Registration No: 14412107
Registered in: Odense
Financial year: 01.01.2017 - 31.12.2017

Phone: +4565992411
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Website: www.cycleservicenordic.com
E-mail: info@cycleservicenordic.com

Board of Directors
Svend Møller, Chairman
Bo Bækkelund
Jeroen Maria Snijders Blok

Executive Board
Bo Bækkelund

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Tværkajen 5
Postboks 10
5100 Odense C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Cycle Service Nordic ApS for the financial year 01.01.2017 - 31.12.2017.

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 Entity's financial position at 31.12.2017 and of the results of its operations and cash flows for the financial year 01.01.2017 - 31.12.2017.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Odense, 21.03.2018

Executive Board

Bo Bækkelund

Board of Directors

Svend Møller Chairman	Bo Bækkelund	Jeroen Maria Snijders Blok

Independent auditor's report

To the shareholders of Cycle Service Nordic ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of Cycle Service Nordic ApS for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2017, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2017 - 31.12.2017 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent financial statements

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

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exits. Misstatements

Independent auditor's report

can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent 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 consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s and the Entity’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 consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Entity’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 consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent 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 commentary.

Odense, 21.03.2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Anders Flou
State Authorised Public Accountant
Identification number (MNE) 32777

Management commentary

	2017 DKK'000	2016 DKK'000	2015 DKK'000	2014 DKK'000
Financial highlights				
Key figures				
Revenue	129,908	115,079	104,890	103,994
Gross profit/loss	26,133	24,333	24,379	24,818
Operating profit/loss	7,267	6,380	7,382	8,724
Net financials	(927)	(1,206)	(993)	(921)
Profit/loss for the year	4,997	3,961	4,835	5,917
Total assets	74,362	67,174	61,866	51,114
Investments in property, plant and equipment	823	591	1,266	639
Equity	28,267	23,269	19,308	14,473
Cash flows from (used in) operating activities	953	(3,984)	3,921	(2,519)
Cash flows from (used in) investing activities	(603)	(966)	(995)	(639)
Cash flows from (used in) financing activities	0	0	0	933
Employees in average	48	45	41	39
Ratios				
Gross margin (%)	20.1	21.1	23.2	23.9
Net margin (%)	3.8	3.4	4.6	5.7
Return on equity (%)	19.4	18.6	28.6	40.9
Equity ratio (%)	38.0	34.6	31.2	28.3
Revenue per employee	2,706.4	2,557.3	2,558.3	2,666.5

Cycle Service Nordic ApS prepared its first consolidated financial statements in 2014. In pursuance of section 128(3) and the Danish Financial Statements Act, comparatives for 2013 are not included.

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2010" issued by the Danish Society of Financial Analysts.

Ratios	**Calculation formula**	**Ratios**
Gross margin (%)	$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	The financial strength of the entity.
Revenue per employee	$\frac{\text{Revenue}}{\text{Revenue per employee}}$	The entity's productivity

Management commentary

Primary activities

As in previous years, the primary activities of Cycle Service Nordic ApS are wholesaling in bicycle parts and accessories.

Development in activities and finances

Cycle Service Nordic continues to invest in business expansions in emerging markets. The growth in turnover, the profit as well as the general financial development of the company exceed the expectations for 2017 and are considered sufficient. The positive development is linked to a growth in sales on both new and existing brands.

Outlook

The company expect to realize a profit around 3-4 mill. DKK in 2018.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

Consolidated income statement for 2017

	Notes	2017 DKK	2016 DKK
Revenue		129,907,832	115,078,580
Cost of sales		(94,169,717)	(82,231,754)
Other external expenses		(9,604,635)	(8,513,418)
Gross profit/loss		**26,133,480**	**24,333,408**
Staff costs	1	(17,684,560)	(16,993,863)
Depreciation, amortisation and impairment losses		(1,182,243)	(959,579)
Operating profit/loss		**7,266,677**	**6,379,966**
Other financial income	2	870	2,788
Other financial expenses	3	(927,748)	(1,208,668)
Profit/loss before tax		**6,339,799**	**5,174,086**
Tax on profit/loss for the year	4	(1,342,475)	(1,212,782)
Profit/loss for the year	5	**4,997,324**	**3,961,304**

Consolidated balance sheet at 31.12.2017

	Notes	2017 DKK	2016 DKK
Acquired intangible assets		166,667	300,000
Intangible assets	6	**166,667**	**300,000**
Other fixtures and fittings, tools and equipment		1,029,370	1,515,160
Leasehold improvements		0	542,627
Prepayments for property, plant and equipment		559,800	0
Property, plant and equipment	7	**1,589,170**	**2,057,787**
Other receivables		219,150	219,150
Fixed asset investments	8	**219,150**	**219,150**
Fixed assets		**1,974,987**	**2,576,937**
Manufactured goods and goods for resale		56,602,547	51,696,178
Prepayments for goods		633,270	1,164,479
Inventories		**57,235,817**	**52,860,657**
Trade receivables		8,717,672	8,719,055
Receivables from group enterprises		63,007	377,133
Deferred tax		171,306	72,713
Other receivables		245,761	61,722
Prepayments		123,735	103,069
Receivables		**9,321,481**	**9,333,692**
Cash		**5,829,590**	**2,402,301**
Current assets		**72,386,888**	**64,596,650**
Assets		**74,361,875**	**67,173,587**

Consolidated balance sheet at 31.12.2017

	Notes	2017 DKK	2016 DKK
Contributed capital		200,000	200,000
Retained earnings		28,066,720	23,069,396
Equity		**28,266,720**	**23,269,396**
Deferred tax		0	10,056
Provisions		**0**	**10,056**
Bank loans		25,361,242	22,283,538
Trade payables		15,374,474	13,474,522
Payables to group enterprises		15,006	0
Income tax payable		173,016	357,144
Other payables		4,859,968	7,523,170
Deferred income		311,449	255,761
Current liabilities other than provisions		**46,095,155**	**43,894,135**
Liabilities other than provisions		**46,095,155**	**43,894,135**
Equity and liabilities		**74,361,875**	**67,173,587**
Unrecognised rental and lease commitments	10		
Group relations	11		
Subsidiaries	12		

Consolidated statement of changes in equity for 2017

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	200,000	23,069,396	23,269,396
Profit/loss for the year	0	4,997,324	4,997,324
Equity end of year	**200,000**	**28,066,720**	**28,266,720**

Consolidated cash flow statement for 2017

	Notes	2017 DKK	2016 DKK
Operating profit/loss		7,266,677	6,379,966
Amortisation, depreciation and impairment losses		1,182,243	959,579
Working capital changes	9	(4,928,812)	(8,808,509)
Cash flow from ordinary operating activities		**3,520,108**	**(1,468,964)**
Financial income received		870	2,788
Financial income paid		(927,748)	(1,208,668)
Income taxes refunded/(paid)		(1,640,727)	(1,309,634)
Cash flows from operating activities		**952,503**	**(3,984,478)**
Acquisition etc of intangible assets		0	(400,000)
Acquisition etc of property, plant and equipment		(823,361)	(590,648)
Sale of property, plant and equipment		220,443	24,322
Cash flows from investing activities		**(602,918)**	**(966,326)**
Increase/decrease in cash and cash equivalents		**349,585**	**(4,950,804)**
Cash and cash equivalents beginning of year		(19,881,237)	(14,930,433)
Cash and cash equivalents end of year		**(19,531,652)**	**(19,881,237)**
Cash and cash equivalents at year-end are composed of:			
Cash		5,829,590	2,402,301
Short-term debt to banks		(25,361,242)	(22,283,538)
Cash and cash equivalents end of year		**(19,531,652)**	**(19,881,237)**

Notes to consolidated financial statements

	2017 DKK	2016 DKK
1. Staff costs		
Wages and salaries	15,122,975	14,328,535
Pension costs	1,450,112	1,439,583
Other social security costs	880,093	1,114,172
Other staff costs	231,380	111,573
	17,684,560	**16,993,863**
Average number of employees	**48**	**45**

	Remunera-tion of manage-ment 2017 DKK	Remunera-tion of manage-ment 2016 DKK
Total amount for management categories	960,459	932,230
	960,459	**932,230**

	2017 DKK	2016 DKK
2. Other financial income		
Other financial income	870	2,788
	870	**2,788**

	2017 DKK	2016 DKK
3. Other financial expenses		
Other financial expenses	927,748	1,208,668
	927,748	**1,208,668**

	2017 DKK	2016 DKK
4. Tax on profit/loss for the year		
Tax on current year taxable income	1,519,260	1,190,552
Change in deferred tax for the year	(114,124)	12,187
Adjustment concerning previous years	(62,661)	10,043
	1,342,475	**1,212,782**

Notes to consolidated financial statements

	2017 DKK	2016 DKK
5. Proposed distribution of profit/loss		
Retained earnings	4,997,324	3,961,304
	4,997,324	**3,961,304**

	Acquired intangible assets DKK
6. Intangible assets	
Cost beginning of year	400,000
Cost end of year	**400,000**
Amortisation and impairment losses beginning of year	(100,000)
Amortisation for the year	(133,333)
Amortisation and impairment losses end of year	**(233,333)**
Carrying amount end of year	**166,667**

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK	Prepayments for property, plant and equipment DKK
7. Property, plant and equipment			
Cost beginning of year	5,052,958	787,728	0
Exchange rate adjustments	(65,211)	0	0
Additions	193,277	70,284	559,800
Disposals	(389,791)	0	0
Cost end of year	**4,791,233**	**858,012**	**559,800**
Depreciation and impairment losses beginning of the year	(3,537,798)	(245,101)	0
Exchange rate adjustments	42,584	0	0
Depreciation for the year	(488,959)	(612,911)	0
Reversal regarding disposals	222,310	0	0
Depreciation and impairment losses end of the year	**(3,761,863)**	**(858,012)**	**0**
Carrying amount end of year	**1,029,370**	**0**	**559,800**

Notes to consolidated financial statements

	Other receivables DKK
8. Fixed asset investments	
Cost beginning of year	219,150
Cost end of year	**219,150**
Carrying amount end of year	**219,150**

	2017 DKK	2016 DKK
9. Change in working capital		
Increase/decrease in inventories	(4,375,160)	(7,436,031)
Increase/decrease in receivables	110,804	(364,633)
Increase/decrease in trade payables etc	(692,501)	(967,238)
Other changes	28,045	(40,607)
	(4,928,812)	**(8,808,509)**

	2017 DKK	2016 DKK
10. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	**5,564,276**	**5,333,050**

Non-recognised rental and lease commitments concern leases.

11. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

Accell Group N.V., P.O. Box 435 8440 AK Industriweg 4, 8444 AR Heerenveen, The Netherlands

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Batavus B.V., P.O. Box 515 Industriweg 4, 8444 AR Heerenveen, The Netherlands

	Registered in	Equity inte-rest %
12. Subsidiaries		
Cycle Service Nordic AS	Norge	100.0
Cycle Service Nordic OY	Finland	100.0
Cycle Service Nordic AB	Sverige	100.0

Parent income statement for 2017

	Notes	2017 DKK	2016 DKK
Revenue		126,396,588	111,809,289
Cost of sales		(93,624,562)	(82,832,892)
Other external expenses		(12,371,998)	(11,100,194)
Gross profit/loss		**20,400,028**	**17,876,203**
Staff costs	1	(12,714,743)	(12,177,778)
Depreciation, amortisation and impairment losses		(1,058,382)	(618,540)
Operating profit/loss		**6,626,903**	**5,079,885**
Income from investments in group enterprises		382,100	860,996
Other financial income	2	114,601	149,393
Other financial expenses	3	(911,673)	(1,187,211)
Profit/loss before tax		**6,211,931**	**4,903,063**
Tax on profit/loss for the year	4	(1,214,607)	(941,759)
Profit/loss for the year	5	**4,997,324**	**3,961,304**

Parent balance sheet at 31.12.2017

	Notes	2017 DKK	2016 DKK
Acquired intangible assets		166,667	300,000
Intangible assets	6	**166,667**	**300,000**
Other fixtures and fittings, tools and equipment		724,035	842,896
Leasehold improvements		0	542,627
Prepayments for property, plant and equipment		559,800	0
Property, plant and equipment	7	**1,283,835**	**1,385,523**
Investments in group enterprises		2,317,507	2,039,444
Other receivables		219,150	219,150
Fixed asset investments	8	**2,536,657**	**2,258,594**
Fixed assets		**3,987,159**	**3,944,117**
Manufactured goods and goods for resale		56,602,547	51,696,178
Prepayments for goods		633,270	1,164,479
Inventories		**57,235,817**	**52,860,657**
Trade receivables		7,089,091	6,892,583
Receivables from group enterprises		3,059,332	1,744,219
Deferred tax		104,308	0
Other receivables		139,614	16,503
Receivables		**10,392,345**	**8,653,305**
Cash		**2,497,161**	**1,108,340**
Current assets		**70,125,323**	**62,622,302**
Assets		**74,112,482**	**66,566,419**

Parent balance sheet at 31.12.2017

	Notes	2017 DKK	2016 DKK
Contributed capital	9	200,000	200,000
Reserve for net revaluation according to the equity method		2,027,333	1,749,270
Retained earnings		26,039,387	21,320,126
Equity		**28,266,720**	**23,269,396**
Deferred tax		0	10,056
Provisions		**0**	**10,056**
Bank loans		25,361,242	22,283,538
Trade payables		15,165,063	13,164,774
Payables to group enterprises		1,357,193	675,037
Income tax payable		141,632	113,591
Other payables		3,509,183	6,794,266
Deferred income	10	311,449	255,761
Current liabilities other than provisions		**45,845,762**	**43,286,967**
Liabilities other than provisions		**45,845,762**	**43,286,967**
Equity and liabilities		**74,112,482**	**66,566,419**
Unrecognised rental and lease commitments	11		
Contingent liabilities	12		
Mortgages and securities	13		
Related parties with controlling interest	14		
Transactions with related parties	15		

Parent statement of changes in equity for 2017

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Total DKK
Equity beginning of year	200,000	1,749,270	21,320,126	23,269,396
Profit/loss for the year	0	278,063	4,719,261	4,997,324
Equity end of year	**200,000**	**2,027,333**	**26,039,387**	**28,266,720**

Notes to parent financial statements

	2017 DKK	2016 DKK
1. Staff costs		
Wages and salaries	10,843,573	10,439,191
Pension costs	1,371,105	1,360,269
Other social security costs	268,685	266,745
Other staff costs	231,380	111,573
	12,714,743	**12,177,778**
Average number of employees	**38**	**35**

	2017 DKK	2016 DKK
2. Other financial income		
Financial income arising from group enterprises	113,731	148,463
Other financial income	870	930
	114,601	**149,393**

	2017 DKK	2016 DKK
3. Other financial expenses		
Other financial expenses	911,673	1,187,211
	911,673	**1,187,211**

	2017 DKK	2016 DKK
4. Tax on profit/loss for the year		
Tax on current year taxable income	1,391,632	870,090
Change in deferred tax for the year	(114,364)	61,626
Adjustment concerning previous years	(62,661)	10,043
	1,214,607	**941,759**

	2017 DKK	2016 DKK
5. Proposed distribution of profit/loss		
Transferred to reserve for net revaluation according to the equity method	278,063	868,690
Retained earnings	4,719,261	3,092,614
	4,997,324	**3,961,304**

Notes to parent financial statements

	Acquired intangible assets DKK
6. Intangible assets	
Cost beginning of year	400,000
Cost end of year	**400,000**
Amortisation and impairment losses beginning of year	(100,000)
Amortisation for the year	(133,333)
Amortisation and impairment losses end of year	**(233,333)**
Carrying amount end of year	**166,667**

	Other fixtures and fittings, tools and equipment DKK	Leasehold improve-ments DKK	Prepay-ments for property, plant and equipment DKK
7. Property, plant and equipment			
Cost beginning of year	3,244,835	787,728	0
Additions	193,277	70,284	559,800
Cost end of year	**3,438,112**	**858,012**	**559,800**
Depreciation and impairment losses beginning of the year	(2,401,939)	(245,101)	0
Depreciation for the year	(312,138)	(612,911)	0
Depreciation and impairment losses end of the year	**(2,714,077)**	**(858,012)**	**0**
Carrying amount end of year	**724,035**	**0**	**559,800**

Notes to parent financial statements

	Investments in group enterprises DKK	Other receivables DKK
8. Fixed asset investments		
Cost beginning of year	290,174	219,150
Cost end of year	**290,174**	**219,150**
Revaluations beginning of year	1,749,270	0
Exchange rate adjustments	(104,037)	0
Share of profit/loss for the year	382,100	0
Revaluations end of year	**2,027,333**	**0**
Carrying amount end of year	**2,317,507**	**219,150**

	Number	Par value DKK	Nominal value DKK
9. Contributed capital			
Shares	200	1000	200,000
	200		**200,000**

The parent's share capital had remained DKK 200,000 over the past 5 years.

10. Deferred income

Deferred income comprises service centre payments that are not recognised as income until in the subsequent financial year once the recognition criteria are satisfied.

	2017 DKK	2016 DKK
11. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	**5,080,341**	**5,333,050**

12. Contingent liabilities

The Company participates in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable for income taxes etc for the jointly taxed companies and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

13. Mortgages and securities

Bank debt is secured on a charge on receivables worth a nominal DKK 7,500,000.

Notes to parent financial statements

14. Related parties with controlling interest

Parent Accell Danmark ApS, Tobaksgården 6, 8700 Horsens, Denmark, Participating interest.

15. Transactions with related parties

According to Section 98 c (7) of the Danish Financial Statements Act, related party transactions have not been disclosed.

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied for these financial statements are consistent with those applied last year.

Recognition and measurement
Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements
The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group’s accounting policies.

Subsidiaries’ financial statement items are recognised in full in the consolidated financial statements. Minority interests’ pro rata shares of the profit/loss and the net assets are disclosed as separate items in the income statement and the balance sheet, respectively.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries’ net assets at the takeover date, with net assets having been calculated at fair value.

Accounting policies

Business combinations
Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. On acquisition of enterprises, provisions are made for costs relating to decided and published restructurings in the acquired enterprise. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful life, however, no more than 20 years. Negative differences in amount (negative goodwill), corresponding to an estimated adverse development in the relevant enterprises, are recognised in the balance sheet under deferred income, and they are recognised in the income statement when such adverse development is realised.

Profits or losses from divestment of equity investments
Profits or losses from divestment or winding-up of subsidiaries are calculated as the difference between selling price or settlement price and the carrying amount of the net assets at the time of divestment or winding-up, inclusive of non-amortised goodwill and estimated divestment or winding-up expenses.

Foreign currency translation
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement
Revenue
Revenue from the sale of goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Cost of sales
Cost of sales comprises costs of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

Accounting policies

Other external expenses
Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

Staff costs
Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses
Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other financial income
Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet
Intellectual property rights etc
Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, but over no more than 20 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Accounting policies

Property, plant and equipment
Other fixtures and fittings, tools and equipment and leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises
Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity plus or minus unamortised positive, or negative, goodwill and minus or plus unrealised intra-group profits or losses.

Group enterprises with negative equity are measured at DKK 0, and any receivables from these enterprises are written down by the Parent's share of such negative equity value if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

Inventories
Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Accounting policies

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash
Cash comprises cash in hand and bank deposits.

Operating leases
Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable
Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Deferred income
Deferred income comprises received income for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Accounting policies

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares, and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank debt.