

Lowell Finans A/S

Langmarksvej 57D
8700 Horsens

CVR no. 17 47 31 82

Annual report 2018

The annual report was presented and approved at
the Company's annual general meeting on

31 May 2019

Dennis Feyling Serup
chairman

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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 Lowell Finans A/S for the financial year 1 January – 31 December 2018.

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

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Horsens, 31 May 2019
Executive Board:

Morten Goldermann
Engelbæk

Board of Directors:

Johan Erik Magnus
Agerman
Chairman

Geir Inge Skålevik

Lars Hjarrand

Rene Lund Mejlstrup

Dennis Feyling Serup

Independent auditor's report

To the shareholders of Lowell Finans A/S

Opinion

We have audited the financial statements of Lowell Finans A/S for the financial year 1 January – 31 December 2018 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Independent auditor's report

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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

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

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Kolding, 31 May 2019

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Nikolaj Møller Hansen
State Authorised
Public Accountant
mne33220

Lowell Finans A/S
Annual report 2018
CVR no. 17 47 31 82

Management's review

Company details

Lowell Finans A/S
Langmarksvej 57D
8700 Horsens

Telephone: 76 28 28 28
Website: www.lowell.dk

CVR no.: 17 47 31 82
Established: 1 December 1993
Registered office:
Financial year: 1 January – 31 December

Board of Directors

Johan Erik Magnus Agerman, Chairman
Geir Inge Skålevik
Lars Hjarrand
Rene Lund Mejlstrup
Dennis Feyling Serup

Executive Board

Morten Goldermann Engelbæk

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Jupitervej 4
DK-6000 Kolding

Bank

Danske Bank
Nytov Erhvervsafdeling, Frederiksberggade 1
1012 København K

Management's review

Operating review

Principal activities

The Company's main activities are to carry out collection and credit processing activities, bookkeeping- and billing assistance along with related services.

Profit/loss for the year

The Company's income statement for 2018 shows a loss of tDKK 4,516 as against tDKK 7,063 in 2017. Equity in the Company's balance sheet at 31 December 2018 stood at tDKK 4,807 as against tDKK 4,322 at 31 December 2017.

Capital resources

The parent company guaranteed to provide enough funds to ensure going concern.

Events after the balance sheet date

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

Financial statements 1 January – 31 December

Income statement

DKK	Note	2018	2017
Gross profit/loss		<u>-6,975,330</u>	<u>-6,954,756</u>
Operating profit/loss		<u>-6,975,330</u>	<u>-6,954,756</u>
Financial income	2	2,740,188	2,356,753
Financial expenses	3	<u>-870,813</u>	<u>-1,398,125</u>
Profit/loss before tax		<u>-5,105,955</u>	<u>-5,996,128</u>
Tax on profit/loss for the year	4	<u>590,225</u>	<u>-1,067,000</u>
Profit/loss for the year		<u><u>-4,515,730</u></u>	<u><u>-7,063,128</u></u>
Proposed distribution of loss			
Retained earnings		<u><u>-4,515,730</u></u>	<u><u>-7,063,128</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	<u>2018</u>	<u>2017</u>
ASSETS			
Current assets			
Receivables			
Trade receivables		3,289,779	3,061,142
Receivables from group entities		0	24,477,057
Other receivables		4,647,028	5,442,361
Prepayments		<u>5,230,943</u>	<u>2,618,430</u>
		<u>13,167,750</u>	<u>35,598,990</u>
Cash at bank and in hand		<u>35,124,698</u>	<u>21,824,285</u>
Total current assets		<u>48,292,448</u>	<u>57,423,275</u>
TOTAL ASSETS		<u>48,292,448</u>	<u>57,423,275</u>

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	2018	2017
EQUITY AND LIABILITIES			
Equity			
Contributed capital		1,800,004	1,800,000
Retained earnings		<u>3,006,578</u>	<u>2,522,308</u>
Total equity		<u>4,806,582</u>	<u>4,322,308</u>
Liabilities			
Non-current liabilities			
Payables to group entities	5	<u>9,949,420</u>	<u>10,076,284</u>
Current liabilities			
Trade payables		611,813	16,299
Payables to group entities		30,546,934	39,944,083
Other payables		<u>2,377,699</u>	<u>3,064,301</u>
		<u>33,536,446</u>	<u>43,024,683</u>
Total liabilities		<u>43,485,866</u>	<u>53,100,967</u>
TOTAL EQUITY AND LIABILITIES		<u><u>48,292,448</u></u>	<u><u>57,423,275</u></u>

Financial statements 1 January – 31 December

Statement of changes in equity

DKK	<u>Contributed capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2018	1,800,000	2,522,308	4,322,308
Cash capital increase	4	0	4
Transferred over the distribution of loss	0	-4,515,730	-4,515,730
Contribution from group	0	5,000,000	5,000,000
Equity at 31 December 2018	1,800,004	3,006,578	4,806,582

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Lowell Finans A/S for 2018 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with opt-in from higher reporting classes.

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

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 the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, 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 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.

Income statement

Revenue

Revenue from the sale of services, is recognised on a straight-line basis in the income statement as the services are provided.

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Gross Profit

Pursuant to Section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, 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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Tax on loss for the year

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. 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

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's credit risk management policy. The objective indicators used in relation to portfolios are determined on the basis of historical loss experience.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast 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 and deferred income

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

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 easily convertible into cash and which are subject to only an insignificant risk of changes in value.

Equity

Dividends

The expected dividends payment for the year is disclosed as a separate item under equity.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Liabilities

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

Finance lease obligation comprise the capitalised residual lease obligation of finance leases.

Other liabilities are measured at net realisable value.

Corporation tax and deferred tax

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.

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 based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; 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. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Financial statements 1 January – 31 December

Notes

DKK	<u>2018</u>	<u>2017</u>
2 Financial income		
Interest income from group entities	2,733,496	2,355,710
Other financial income	<u>6,692</u>	<u>1,043</u>
	<u>2,740,188</u>	<u>2,356,753</u>
3 Financial expenses		
Interest expense to group entities	796,279	1,379,187
Other financial costs	<u>74,534</u>	<u>18,938</u>
	<u>870,813</u>	<u>1,398,125</u>
4 Tax on profit/loss for the year		
Deferred tax for the year	0	-1,067,000
Adjustment of tax concerning previous years	<u>590,225</u>	<u>0</u>
	<u>590,225</u>	<u>-1,067,000</u>
5 Non-current liabilities other than provisions		
Repayments, due within 1 year, are recorded under current liabilities. Other liabilities are recognized under long-term liabilities.		
The debt obligations fall due on the following order:		
Payable to group entities		
Between 1 and 5 years	<u>9,949,420</u>	<u>10,076,284</u>
Non-current payables	9,949,420	10,076,284
Other short-term debt to group enterprises	<u>30,546,934</u>	<u>39,944,083</u>
	<u>40,496,354</u>	<u>50,020,367</u>

Financial statements 1 January – 31 December

Notes

6 Contractual obligations, contingencies, etc.

Contingent liabilities

The following assets have been pledged as collateral for collection appropriations:

The following amounts have been provided for the security of debt collection appropriations to all and anyone. The guarantee is made at the special request of the National Police.

The guarantee applies DKK 5 million (2017: DKK 5 million).

7 Related party disclosures

Control

Lowell AS, Nils Hansens Vei 2, Oslo, Norway.

Lowell AS holds the majority of the contributed capital in the Company.

Lowell Finans A/S is part of the consolidated financial statements of Garfunkelux Holdco 2 S.A., 488 route de Longwy, L-1940 Luxembourg, which is the largest group, in which the Company is included as a subsidiary.

The consolidated financial statements of Garfunkelux Holdco 2 S.A. can be obtained by contacting the companies at the addresses above.