

MENETA ADVANCED SHIMS TECHNOLOGY A/S
STRANDHOLTVEJ 49, STIGE, 5270 ODENSE N
ANNUAL REPORT
1 JANUARY - 31 DECEMBER 2018

The Annual Report has been presented and
adopted at the Company's Annual General
Meeting on 28 February 2019

Election of Chairman

The English part of this document is an unofficial translation of the original Danish text, and in case of any discrepancy between the Danish text and the English translation, the Danish text shall prevail.

CONTENTS

	Page
Company Details	
Company Details.....	3
Statement and Report	
Statement by Board of Directors and Board of Executives.....	4
Independent Auditor's Report.....	5-6
Management's Review	
Financial Highlights.....	7
Management's Review	8
Financial Statements 1 January - 31 December	
Income Statement.....	9
Balance Sheet.....	10-11
Equity.....	12
Notes.....	13-17
Accounting Policies.....	18-21

COMPANY DETAILS

Company	Meneta Advanced Shims Technology A/S Strandholtvej 49 Stige 5270 Odense N
	Telephone: +45 66 18 89 34 Telefax: +45 66 18 78 05 Website: www.meneta.dk E-mail: oth@meneta.dk
	CVR No.: 26 31 40 89 Established: 1 November 2001 Registered Office: Odense Financial Year: 1 January - 31 December
Board of Directors	Johnny Haakonsson, chairman Takaharu Dannoura Kim Walther Østergaard Jeremy Mark Adams
Board of Executives	Kim Walther Østergaard
Auditor	BDO Statsautoriseret revisionsaktieselskab Havneholmen 29 1561 Copenhagen V
Bank	Danske Bank Albani Torv 2-3 5000 Odense C

STATEMENT BY BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

Today the Board of Directors and Board of Executives have discussed and approved the Annual Report of Meneta Advanced Shims Technology A/S for the financial year 1 January - 31 December 2018.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the Company's financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018.

The Management's Review includes in our opinion a fair presentation of the matters dealt with in the Review.

We recommend the Annual Report be approved at the Annual General Meeting.

Odense, 28 February 2019

Board of Executives

Kim Walther Østergaard

Board of Directors

Johnny Haakonsson
Chairman

Takaharu Dannoura

Kim Walther Østergaard

Jeremy Mark Adams

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Meneta Advanced Shims Technology A/S

Opinion

We have audited the Financial Statements of Meneta Advanced Shims Technology A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant 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 assets, liabilities and financial position of the Company's 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 requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Copenhagen, 28 February 2019

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Ole C. K. Nielsen
State Authorised Public Accountant
MNE no. mne23299

FINANCIAL HIGHLIGHTS

	2018 DKK '000	2017 DKK '000	2016 DKK '000	2015 DKK '000	2014 DKK '000
Income statement					
Net revenue.....	297.417	260.114	265.103	261.853	238.836
Gross profit/loss.....	101.534	90.795	88.298	86.239	72.440
Operating profit/loss.....	22.944	22.821	20.672	22.910	14.178
Financial income and expenses, net.....	169	-593	-604	291	-301
Profit/loss for the year.....	18.006	17.391	15.686	17.655	10.405
Balance sheet					
Balance sheet total.....	209.297	201.979	171.206	157.655	151.538
Equity.....	131.558	113.551	96.160	80.474	62.819
Invested capital.....	131.649	135.119	117.194	99.749	80.927
Investment in tangible fixed assets.....	19.617	13.896	7.429	2.598	1.995
Ratios					
Profit margin.....	7,7	8,8	7,8	8,7	5,9
Rate of return.....	17,2	18,1	19,1	25,4	18,8
Solvency ratio.....	62,9	56,2	56,2	51,0	41,5
Return on equity.....	14,7	16,6	17,8	24,6	18,1
Index for net revenue.....	125	109	111	110	100
Net revenue per employee.....	1.970	1.871	1.841	2.062	2.095

The ratios stated in the list of key figures and ratios have been calculated as follows:

Profit margin:	$\frac{\text{Operating profit/loss} \times 100}{\text{Net revenue}}$
Rate of return:	$\frac{\text{Profit/loss on ordinary activities} \times 100}{\text{Average invested capital}}$
Invested capital:	Intangible fixed assets (ex goodwill) + tangible assets + inventories + receivables + other working current assets - trade payables - other provisions - other long and short term working liabilities
Solvency ratio:	$\frac{\text{Equity ex. minorities, at year end} \times 100}{\text{Total equity and liabilities, at year end}}$
Return on equity:	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$
Net revenue per employee DKK ('000)	$\frac{\text{Net revenue DKK('000)}}{\text{Average number of full-time employees}}$

The ratios follow in all material respects the recommendations of the Danish Finance Society.

MANAGEMENT'S REVIEW

Principal activities

Meneta Advanced Shims Technology A/S develops, manufactures and sells shims (noise reduction product) for brake pads for use in the automotive industry.

Meneta Holding A/S holds 52% of the share capital whereas a large manufacturer of friction material, TMD Friction Holdings (UK) Limited holds the remaining shares.

Development in activities and financial position

Due to a drop in sales in the IAM segment, the company was unable to meet the expected growth in revenue.

The gross margin of the company was negatively affected by an increase in steel prices throughout the year.

Books show an increase in revenue by 14.3% to DKK 297.4M (DKK 260.1M), whereas operating profit was same as year before (DKK 22.9M).

The net result after tax increased by 3.5% to DKK 18M (DKK 17.4M). The balance sheet shows DKK 209.3M with an increase in solvency rate from 56.2% in 2017 to 62.9% in 2018.

Throughout the year, the company invested mainly in operational equipment, increasing its CAPEX by DKK 19.6M in order to increase production capacity due to a steady growth in product demand.

Profit/loss for the year compared to expectations

A lower demand for IAM products resulted in lower sales in that segment and as a result the company did not meet the expected growth rate combined with higher steel prices.

Significant events after the end of the financial year

No events have occurred after the end of the financial year that may have a significant impact on the financial position of the company.

Special risks

A considerable part of the company's raw materials is dependent on the price of steel and oil. Raw materials, sales prices, assets, and liabilities are dependent on the development in a number of currencies. The currency exposure is constantly evaluated and risk hedging takes place according to determined policies and rules.

Environmental situation

The company is aware of the potential environmental impact of the products and of the production process. Efforts are being made on a regular basis to reduce the impact.

Knowledge resources

The company obtained IATF16949 certification.

Research and development activities

The means used for development activities have been recognized and booked as expenses.

Future expectations

The company has been successful in strengthening its market position by securing higher market shares in key markets and this trend is expected to continue.

For the year 2019, we continue to focus on new product development to maintain market position and on reducing the cost base as well as increasing productivity rendering a higher profit margin. We expect continued growth in 2019 with an increase in both revenue and profit.

The company's foreign branches

The company has a branch in Koblenz, Germany.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2018 DKK '000	2017 DKK '000
NET REVENUE		297.417	260.114
Cost of sales.....		-161.840	-139.538
Other operating income.....		527	425
Other external expenses.....		-34.570	-30.206
GROSS PROFIT		101.534	90.795
Staff costs.....	1	-73.151	-62.872
Depreciation, amortisation and impairment.....		-5.439	-5.102
OPERATING PROFIT		22.944	22.821
Other financial income.....	2	649	328
Other financial expenses.....	3	-480	-921
PROFIT BEFORE TAX		23.113	22.228
Tax on profit/loss for the year.....	4	-5.107	-4.837
PROFIT FOR THE YEAR	5	18.006	17.391

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2018 DKK '000	2017 DKK '000
Production plants and machinery.....		27.027	12.702
Other plants, machinery, tools and equipment.....		3.586	694
Leasehold improvements.....		266	306
Tangible fixed assets in progress and prepayment.....		10.515	13.513
Tangible fixed assets.....	6	41.394	27.215
FIXED ASSETS.....		41.394	27.215
Raw materials and consumables.....		14.343	12.876
Work in progress.....		11.751	9.699
Finished goods and goods for resale.....		29.548	25.683
Inventories.....		55.642	48.258
Trade receivables.....		53.792	52.486
Receivables from group enterprises.....		51.503	58.372
Other receivables.....		3.232	3.215
Receivables corporation tax.....		973	0
Prepayments and accrued income.....	7	527	808
Receivables.....		110.027	114.881
Cash and cash equivalents.....		2.234	11.625
CURRENT ASSETS.....		167.903	174.764
ASSETS.....		209.297	201.979

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2018 DKK '000	2017 DKK '000
Share capital.....	8	525	525
Retained profit.....		131.033	113.026
EQUITY.....		131.558	113.551
Provision for deferred tax.....	9	1.930	850
PROVISION FOR LIABILITIES.....		1.930	850
Lease liabilities.....		982	1.309
Long-term liabilities.....	10	982	1.309
Short-term portion of long-term liabilities.....	10	386	2.030
Bank debt.....		0	28.491
Trade payables.....		35.405	24.156
Payables to group enterprises.....		25.298	18.981
Corporation tax.....		0	513
Other liabilities.....		13.738	12.098
Current liabilities.....		74.827	86.269
LIABILITIES.....		75.809	87.578
EQUITY AND LIABILITIES.....		209.297	201.979
Contingencies etc.	11		
Charges and securities	12		
Related parties	13		
Consolidated financial statements	14		

EQUITY

	Share capital	Retained profit	Total
Equity at 1 January 2018.....	525	113.027	113.552
Proposed distribution of profit.....		18.006	18.006
Equity at 31 December 2018.....	525	131.033	131.558

The share capital has not been changed in the past 5 years.

NOTES

	2018 DKK '000	2017 DKK '000	Note
Staff costs			1
Average number of employees 151 (2017: 139)			
Wages and salaries.....	66.554	57.119	
Pensions.....	5.150	4.474	
Social security costs.....	1.447	1.279	
	73.151	62.872	
Remuneration is not paid to the Board of Directors. Remuneration of the Management is not disclosed because it consists of only one person.			
Other financial income			2
Group enterprises.....	250	328	
Other interest income.....	399	0	
	649	328	
Other financial expenses			3
Group enterprises.....	425	275	
Other interest expenses.....	55	646	
	480	921	
Tax on profit/loss for the year			4
Calculated tax on taxable income of the year.....	4.027	4.534	
Adjustment of deferred tax.....	1.080	303	
	5.107	4.837	
Proposed distribution of profit			5
Retained earnings.....	18.006	17.391	
	18.006	17.391	

NOTES

Note

Tangible fixed assets

6

	Production plants and machinery	Other plants, machinery, tools and equipment
Cost at 1 January 2018.....	53.490	2.587
Additions.....	19.129	3.486
Disposals.....	-95	-83
Cost at 31 December 2018.....	72.524	5.990
Depreciation and impairment losses at 1 January 2018.....	40.787	1.893
Reversal of depreciation of assets disposed of.....	-95	-83
Depreciation for the year.....	4.805	594
Depreciation and impairment losses at 31 December 2018....	45.497	2.404
Carrying amount at 31 December 2018.....	27.027	3.586
Finance lease assets.....	11.251	

	Leasehold improvements	Tangible fixed assets in progress and prepayment
Cost at 1 January 2018.....	1.040	13.513
Additions.....	0	19.616
Disposals.....	0	-22.614
Cost at 31 December 2018.....	1.040	10.515
Depreciation and impairment losses at 1 January 2018.....	734	
Depreciation for the year.....	40	
Depreciation and impairment losses at 31 December 2018....	774	
Carrying amount at 31 December 2018.....	266	10.515

	2018 DKK '000	2017 DKK '000
Prepayments and accrued income		
Costs.....	527	808
	527	808

7

Share capital

8

Specification of the share capital:		
Share, 525 in the denomination of 1.000 DKK.....	525	525
	525	525

NOTES

Note

Provision for deferred tax

9

Provision for deferred tax comprises deferred tax on contract work in progress, inventory and intangible and tangible fixed assets.

	2018 DKK '000	2017 DKK '000
The amount breaks down as follows:		
Production plant and machinery.....	1.383	902
Leasehold improvements.....	-13	-25
Inventory.....	861	747
Trade receivables.....	0	-38
Lease liabilities.....	-301	-735
Borrowing costs.....	0	-1
	1.930	850
Deferred tax assets at 1 January 2018.....	850	547
Deferred tax of the year, income statement.....	1.080	303
Provisions of the year.....	1.930	850

Long-term liabilities

10

	31/12 2018 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2017 total liabilities	Repayment 2018
Lease liabilities.....	1.368	386	250	3.339	2.030
	1.368	386	250	3.339	2.030

The company has entered into a lease contract which is paid out at the beginning of 2019 by DKK ('000) 6,452.

NOTES

Note

Contingencies etc.

11

The company has issued an unlimited guarantee concerning the engagement of Group's bank with the company's parent company, Meneta Holding A/S, and the company's sister company, Meneta Danmark ApS. The bank's credit limit with the Group is maximized to DKK ('000) 20,000.

Operating lease

The company has in addition to finance lease contracts entered into operating rent and lease agreements with an average annual lease payment of DKK ('000) 988.

The lease contracts have a residual term of 18 months, on average, and a total residual lease payment of DKK ('000) 1.262.

Lease agreement

The company has an annual lease agreement with Meneta Holding A/S. The annual lease is DKK ('000) 6,480 for 2019. The company has entered into a lease agreement with a residual period of 1 year with an annual lease of DKK ('000) 448.

Lawsuit

The company has been summoned to appear in the Danish Commercial Court by one of the company's creditors for an amount of DKK ('000) 194. The company does not expect to have to pay the amount.

Joint liabilities

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

Tax payable of the group's jointly taxed income is stated in the annual report of Meneta Holding A/S, which serves as management company for the joint taxation.

Charges and securities

12

The company has issued a chattel mortgage of DKK ('000) 2,000, which is secured on machinery which was fully depreciated at 31 December 2018.

Production plant and machinery of a carrying amount of DKK ('000) 11,251 at 31 December 2018 is financed by a finance lease. The lease liabilities are stated at DKK ('000) 7,820 at 31 December 2018.

As security for bank debt of DKK ('000) 0 the company has issued a business charge of a nominal amount of DKK ('000) 15,000 on inventory and trade receivables of a total carrying amount of DKK ('000) 109,434 at 31 December 2018.

NOTES**Note****Related parties****13**

Meneta Advanced Shims Technology A/S' related parties include:

TMD Friction Holdings (UK) Limited
Meneta Danmark ApS
Meneta Holding A/S
Meneta Composite Materials ApS
Meneta Automotive Component Pvt. Ltd.
Meneta (Shanghai) Co.
Ltd.Meneta Dalian Co.Ltd.

Controlling interest

Meneta Holding A/S.

Other related parties having performed transactions with the company

The company's related parties having a significant influence comprise subsidiaries and associates as well as the companies' Board of Directors, Board of Executives and executive officers and their relatives. Related parties include also companies in which the above mentioned group of persons has material interests.

Transactions with related parties

The company did not carry out any material transactions that were not concluded on market conditions.

Consolidated financial statements**14**

The company is included in the consolidated financial statements of Meneta Holding A/S, Strandholtvej 49, 5270 Odense N, CVR number 25673948.

ACCOUNTING POLICIES

The Annual Report of Meneta Advanced Shims Technology A/S for 2018 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, medium enterprise.

The Annual Report is prepared consistently with the accounting principles used last year.

INCOME STATEMENT

Net revenue

Net revenue from sale of merchandise and finished goods is recognised in the income statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

Other operating income

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

Cost of sales

Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

Other external expenses

Other external expenses include cost of sales, advertising, administration, buildings, bad debts, operating lease expenses, etc.

Payments related to operating lease expenses and other lease agreements are recognised in the income statement during the continuance of the contract. The company's total liability concerning operating and other lease agreements are stated under contingencies, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the company's employees. Repayments from public authorities are deducted from staff costs.

Financial income and expenses

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

Tax

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

BALANCE SHEET

Tangible fixed assets

Production plant and machinery, other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

The depreciation base is cost less estimated residual value after end of useful life.

ACCOUNTING POLICIES

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Production plant and machinery.....	4-10 years	0 %
Other plants, machinery, tools and equipment.....	3-7 years	0-30 %
Leasehold improvements.....	3-8 years	0-30 %

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Lease contracts

Lease contracts relating to tangible fixed assets where the company bears all material risks and benefits attached to the ownership (finance lease) are recognised as assets in the balance sheet. The assets are at the initial recognition measured at calculated cost equal to the lower of fair value and present value of the future lease payments. The internal interest rate of the lease contract is used as discounting factor or an approximate value when calculating the present value. Finance lease assets are depreciated similarly to the company's other tangible fixed assets.

where the company bears all material risks and benefits attached to the ownership (finance lease) are recognised as assets in the balance sheet. The assets are at the initial recognition measured at calculated cost equal to the lower of fair value and present value of the future lease payments. The internal interest rate of the lease contract is used as discounting factor or an approximate value when calculating the present value. Finance lease assets are depreciated similarly to the company's other tangible fixed assets.

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

Impairment of fixed assets

The carrying amount of intangible and tangible fixed assets together with investments, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the net realisable value is lower than the carrying amount, it is written down to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

ACCOUNTING POLICIES

Inventories

Inventories are measured at cost based on weighted average prices. If the net realisable value is lower than cost, the amount is written down to the lower value.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct payroll costs and direct production costs.

The cost of finished goods and work in progress includes cost of raw materials, consumables, direct payroll cost and indirect production cost. Indirect production costs include indirect materials and payroll and maintenance and depreciation of the machines, factory buildings and equipment used in the production process, cost of factory administration and management and capitalised development costs relating to the products.

Receivables

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

Accruals, assets

Accruals recognised as assets include costs incurred relating to the subsequent financial year.

Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

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

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

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Liabilities

Liabilities are measured at amortised cost equal to nominal value.

ACCOUNTING POLICIES

Foreign currency translation

Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the income statement as a financial income or expense.

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

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

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

CASH FLOW STATEMENT

In accordance with section 86(4) of the Danish Financial Statements Act, the company has not prepared a cash flow statement because these cash flows are included in the cash flow statement of the group, see the consolidated financial statements of Meneta Holding A/S.