MBL DENMARK A/S

GLARMESTERVEJ 18B ST. TH, 8600 SILKEBORG

ANNUAL REPORT

1 JANUARY - 31 DECEMBER 2017

The Annual Report has been presented and adopted at the Company's Annual General Meeting on 31 May 2018

Lars Lüneborg

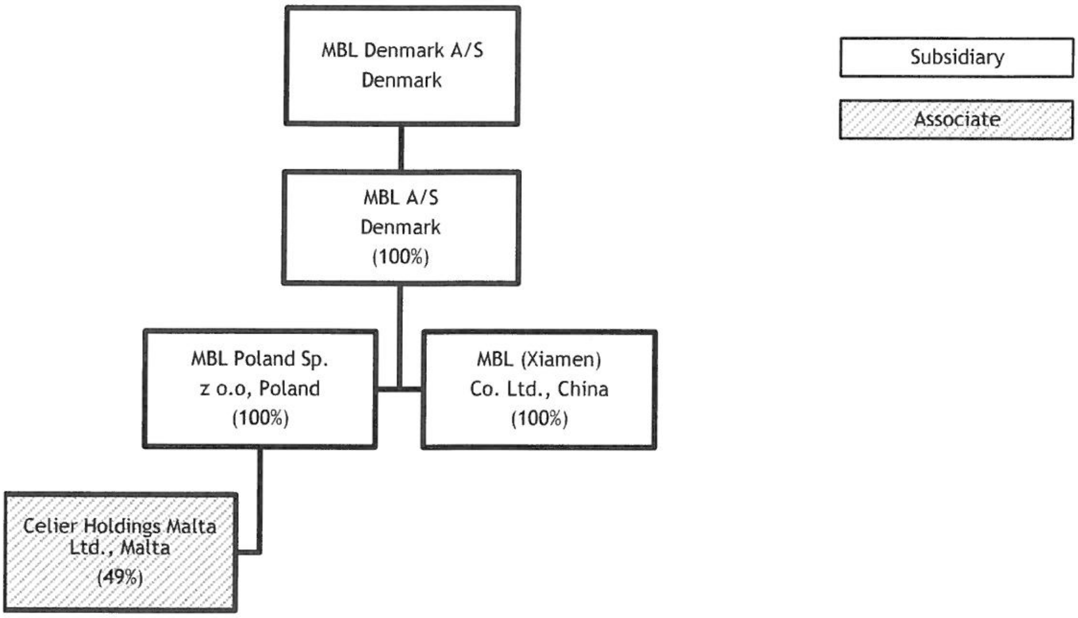
CVR NO. 27 38 65 98

CONTENTS

COMPANY DETAILS

Company	MBL Denmark A/S Glarmestervej 18B st. th 8600 Silkeborg
	CVR No.: 27 38 65 98 Established: 11 June 2003 Registered Office: Silkeborg Financial Year: 1 January - 31 December
Board of Directors	Piotr Mateusz Sadowski Lars Lüneborg Martin Bichel Lauritsen Mogens Bichel Lauritsen Ingelise Nygaard Lauritsen
Board of Executives	Mogens Bichel Lauritsen
Auditor	KPMG P/S Bredskifte Allé 13 8210 Aarhus
Law Firm	Horten Advokatpartnerselskab Philip Haymans Allé 7 2900 Hellerup

GROUP STRUCTURE



The following associated companies are not included in the consolidation but are recognised at cost:

Celier Holdings Malta Ltd., Malta

STATEMENT BY BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

Today the Board of Directors and Board of Executives have discussed and approved the Annual Report of MBL Denmark A/S for the financial year 1 January - 31 December 2017.

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

In our opinion the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of Group's and the Company's financial position at 31 December 2017 and of the results of Group's and the Company's operations and cash flows for the financial year 1 January - 31 December 2017.

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

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

Silkeborg, 31 May 2018

Board of Executives

Mogens Bichel Lauritsen

Board of Directors

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MBL Denmark A/S

Opinion

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of MBL Denmark A/S for the financial year 1 January - 31 December 2017, comprising income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies for the Group as well as for the Parent Company. The Consolidated Financial Statements and the Parent Company Financial Statements are prepared in accordance with the Danish Financial Statements Act.

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 assets, liabilities and financial position at 31 December 2017 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 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 Company Financial Statements” section of our report. We are independent of the Group 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.

Material uncertainty relating to Going Concern

We draw attention to note 22 "Uncertainty with respect to going concern" in the Consolidated Financial Statements and the Parent Company Financial Statements, describing the uncertainty related to the Group's and the Company's ability to continue as a going concern due to non-compliance with the Group's and the Company's loan covenants and need for additional financing if budgets for 2018 are not achieved. Our opinion is not modified in respect to this matter.

Emphasis of matter – uncertainty related to receivable

We draw attention to note 23 "Information on uncertainty with respect to recognition and measurement" to the Consolidated Financial Statements and the Parent Company Financial Statements, setting out the uncertainty relating to the measurement of the receivable with one of business partners. Our opinion is not modified in respect to this matter.

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 the Parent Company 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 the Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements and the Parent Company Financial Statements, Management is responsible for assessing the Group's and the Parent 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 Consolidated Financial Statements and the Parent Company Financial Statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT

Auditor's responsibility for the audit of the Consolidated Financial Statements and the Parent Company Financial Statements
Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements and the Parent Company 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 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 made on the basis of these Consolidated Financial Statements and the Parent Company 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 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.
- 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 Parent 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 Consolidated Financial Statements and the Parent Company 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 Parent 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 Consolidated Financial Statements and the Parent Company 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Consolidated Financial Statements and the Parent Company Financial Statements, including the disclosures, and whether the Consolidated Financial Statements and the Parent Company 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.

Statement on the Management's Review
Management is responsible for the Management's Review.

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

INDEPENDENT AUDITOR'S REPORT

In connection with our audit of the Consolidated Financial Statements and the Parent Company Financial Statements, our responsibility is to read the Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Consolidated Financial Statements and the Parent Company 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 theManagement's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's Review.

Aarhus, 31 May 2018

KPMG P/S
CVR no. 25 57 81 98

Michael Stenskrog
State Authorised Public Accountant
MNE no. mne26819

Michael E. K. Rasmussen
State Authorised Public Accountant
MNE no. mne41364

FINANCIAL HIGHLIGHTS OF THE GROUP

	2017 EUR '000	2016 EUR '000	2015 EUR '000	2014 EUR '000	2013 EUR '000
Income statement					
Net revenue	48.153	44.710	42.786	39.153	34.161
Gross profit/loss	8.109	7.554	6.245	7.236	6.855
Operating profit/loss	1.651	-1.651	-195	1.479	12.726
Financial income and expenses, net	-2.688	-1.813	-1.099	-2.892	-2.600
Profit/loss for the year before tax	-1.037	-3.464	-1.294	-1.412	10.126
Profit/loss for the year	-1.122	-3.580	-1.395	-1.394	7.295
Balance sheet					
Balance sheet total	35.067	32.682	34.366	32.593	32.966
Equity	1.131	-196	5.753	5.227	6.046
Equity incl. minority interests	1.131	-196	5.338	5.227	6.046
Cash flows					
Cash flows from operating activities	1.182	-3.686	461	1.941	5.338
Cash flows from investment-related activities	-1.905	-1.876	-1.032	-3.287	-2.101
Cash flows from financing activities	194	6.967	916	3.344	-2.495
Total cash flows	-529	1.405	345	1.998	742
Investment in tangible fixed assets	-1.540	-1.366	-1.089	-1.214	-1.847
Average number of full-time employees	**1.416**	**1.417**	**1.463**	**1.328**	**1.267**
Ratios					
Gross margin	16,8	16,9	14,6	18,5	20,1
Profit margin	3,4	-3,7	-0,5	3,8	37,3
Solvency ratio	3,2	Neg.	15,5	16,0	18,3
Net revenue per employee	34	32	29	29	27

Comparative figures for 2016 financial results has been restated in line with opening balance errors adjustments as described in the report. Due to lack of reliable calculation it was not possible to restate accurately the 2013-2015 results, therefore they were not adjusted.

FINANCIAL HIGHLIGHTS OF THE GROUP

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

Gross margin:	$\frac{\text{Gross profit x 100}}{\text{Net revenue}}$
Profit margin:	$\frac{\text{Operating profit/loss x 100}}{\text{Net revenue}}$
Solvency ratio:	$\frac{\text{Equity ex. minorities, at year end x 100}}{\text{Total equity and liabilities, at year end}}$
Net revenue per employee EUR ('000)	$\frac{\text{Net revenue EUR ('000)}}{\text{Average number of full-time employees}}$

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

MANAGEMENT'S REVIEW

Principal activities
The principal activities comprise like in previous years production and trade in products related to the wheel chair/rehab market. The production is performed in the foreign subsidiaries in Poland and China. Product development and sale of the Group's products is also primarily performed by the foreign subsidiaries.

The products are sold globally primarily in Europe and the Asia Pacific region. MBL has continued to develop the US market in 2017. In 2017 MBL's products have been sold in 42 countries.

Exceptional matters
Opening balance adjustments due to significant errors in previous years
In 2017 the Group's management has decided to adjust the opening balances in its subsidiaries by EUR 1.0m of equity reduction due to identifying material errors in valuation of some assets. The key error adjustment was related to errors in the fair value of inventories of EUR 0.6m mainly in MBL Poland which has not been properly reflected in previous years inventories valuation. The other key error adjustment is related to cash discount of EUR 0.5m from MBL Xiamen suppliers which has not been written off timely in previous years. The rest of error adjustments is net EUR 0.1m positive for equity and has been in details presented in accounting policies. Due to the fact that we are unable to accurately restate previous years and the impact is not material for previous years the adjustments are presented as 2016 figures restatement where part of the error adjustments is presented directly on equity.

Correction of income statement/equity:	Correction for current financial year	Correction of comparative figures
Income statement		
Write-down, (mainly inventories), etc.		-556
Reversed supplier rebates (trade payables)		-565
Redefinition of borrowing costs		249
Interest calculations		100
Tax on above items		100
Net adjustment in the income statement		**-672**
Directly on equity		
Deferred tax on prepayments write off		-132
Defferred tax from assets revaluation/leasback		-142
Previous years building revaluation		-68
Net adjustment in the equity	**0**	**-342**
Foreign exchange adjustments directly on equity		12
Net effect on equity	**-1.002**	**-1.002**
Net effect on Fixed Assets		**71**
Net effect on Current assets Assets		**-831**
Net effect on Liabilities		**-242**

After identification of the errors there are new procedures implemented in regard to inventory impairment review and suppliers yearly discounts review.

MANAGEMENT'S REVIEW

Uncertainty as to recognition and measurement
During previous years the Group has built up the receivables balance of EUR 4.3m in the form of loan and trade receivables from one of business partners which is currently a strong contributor of Group turnover growth. In the course of year 2017 regular repayments of both loans and trade receivables have been noticed, however, due to sudden sales growth (92% vs 2016 sales) the balance vs last year has increased by EUR 0.4m on the Group level. The growth of the balance of trade receivables and loan granted is in all material respect granted on the basis of cooperation agreement and as part of an overall business plan for cooperation on new activities with proven opportunity of sales in 2017.

In view of the size of the receivables, its long repayment period in relation to common terms of trading, and the matter that the loan and trade are primarily granted to a Company Group with a modest capital base, the recognition and measurement hereof are subject to uncertainty.

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

Development in activities and financial position
2017 was the first year of realizing a new financial strategy together with strategic investor AMC Mark III BV which positively influenced business operations and reduced the cash flow pressure which allowed to fully re-finance existing debts. Particularly in MBL Xiamen the very positive impact on interest costs was noticed in 2017 with regards to repayment of fast loans from individuals. Also in MBL Poland the bank debt from Alior bank was replaced with new strategic banking partner Bank Zachodni WBK SA (a member of Santander Group) who has granted a new loan of PLN 20m of long term facility and PLN 15m of revolving debt. It let the Group stabilize the financing position and deliver EUR 1.2m cash flow from operations (excl. interests and borrowing costs it was EUR 3.4m) and in the same time reduce the cost of interests from EUR 2.6m in 2016 (incl. private loans in China) to EUR 1.9m in 2017.

In 2017, the operating profit/loss results of primary operations were EUR +1.7m against EUR -1.7m in restated 2016. Revenue was increased to EUR 48.2m in 2017 against EUR 44.7 m in 2016 (very strong growth of 8% outpacing the industry benchmark). The revenue growth contributed 0.6m EUR additional gross margin. Gross margin was, however, under pressure in 2017 coming from double digit material cost inflation particularly on steel, aluminum and plastic and also negative exchange rates development particularly for MBL Poland. This led to normalized EBITDA reduction from EUR 5.5m in 2016 to EUR 3.7m in 2017.

The results before tax for the year (EUR -1.0m) were also affected negatively by the currency loss, and still relatively high interest cost related to loans from shareholders including the strategic investor.

In addition, the company had expected positive results for 2017 with optimistic budget assumptions of EUR +1.7m, however, a net loss after tax of EUR -1.1m was realized which is primarily due to raw materials and currency development as stated above, but also because of the delay of sales of new strategic products from MBL Poland which has started sales in Q4 2017 and will be ramping up in 2018 to its full potential in 2019 estimated at EUR 7m additional revenue.

Still thanks to working capital ratios improvement and limited capital expenditures the Group was able to generate free cash flow sufficient for loan repayment, payment of interest and in general improved available cash.

The contribution of capital from October 2016 from the new minority investor, AMC III Mark BV, combined with the new financing structure and shareholder's capital injections of EUR 0.8m loans in August 2017 along with several initiatives implemented during 2017 should lead to further improvement of revenue and gross margin. The Board of Directors has approved the 2018 plan leading to positive net profit.

MANAGEMENT'S REVIEW

Development in activities and financial position (continued)
The Group's operations normalization and high revenues opportunity from new projects is a strong basis for utilizing the huge earnings potential which was not utilized in previous years. The key aspects of this plan of earnings improvement is additional sales growth coming from new projects (among others rehabilitation beds and rollators with very strong growth already visible from China). The new projects supported with cost rationalizations are expected to deliver EUR 1.7m additional margin in 2018. The other key point in the 2018 plan is price increases which have already been implemented to the majority of customers (and will soon be implemented to others) which is to bring EUR 1.8m additional margin.

These initiatives (new projects, cost rationalizations and sales price increases) together with "tightening the belt" on operating costs is expected not only to improve profitability, but also to establish the buffer for salary inflation pressure experienced both in Poland and in China.

The Group and the parent company have at 31 December 2017 an equity of EUR 1.1m and an equity including subordinated loan capital of EUR 12.1m.

A realization of the budget for 2018, where a considerable improvement in the ordinary results after tax as compared with 2017 is expected, will lead to an improvement of the Group's liquidity, and a moderate investment level combined with implementation of the company's action plans to reduce the working capital will support the creation of higher liquidity resources.

Going concern
Year 2017 has finished with loss on net profits due to factors like lower sales from MBL Poland, negative material prices development and negative currency impact mentioned above.

In the same time present Group's borrowings are high, with senior debt to BZ WBK on the balance date of EUR 8.9m and subordinated debt to strategic investor of EUR 10.0m, which creates a substantial cost of financing in the Group's P&L.

Therefore there is a risk related to negative results in 2017 which resulted in financial covenants breaches in the financing agreements with bank and investor. As there is a tight Cash situation lack of sufficient financing may have negative impact on the Group's ability to continue operations. In order to make sure that this risk will not materialize the Group has been implementing the following action plan:

1. An agreement has been reached with both investor and the bank about waiving the covenant breaches for the whole 2017 signed in December 2017. The Group has fulfilled the conditions of this agreement
2. Both investor and financing bank have approved the budget for 2018 and the delivery of the budget is monitored monthly
3. The Group has implemented a price increase initiative already to 70% of planned value and is expecting to reach full annual level in May 2018
4. The Group is successfully implementing already to full extent 2 out of 3 strategic projects with the 3rd one also starting sales. Current order level is record high leading to 11% revenue growth in Quarter 1 vs Quarter 1 last year
5. Rationalization program is on-going with full involvement of the majority of the Research & Development resources
6. The Group continues very tight control over headcount and labor cost within the administration area and simultaneously a bonus program has been implemented to boost productivity

The budget initiatives for 2018 are an assurance that the Group's expected delivery of financial parameters should be achieved with a buffer for potential risks.

If one or more of the budget assumptions are not realized, it may lead to a need for additional financing. However, it is the assessment of the Board of Directors and the Board of Executives that the budget and the assumptions can be realized, and the consolidated and parent company annual report is therefore presented on the assumption of going concern.

MANAGEMENT'S REVIEW

Development in activities and financial position (continued)
In Quarter 1 of 2018 the Group has achieved the turnover growth of 10.6% vs last year which is close to budgeted and Normalized EBITDA level of EUR 0.9m which is significantly above planned. As the result the key covenant parameters like Debt ratio and Net debt ratio are as agreed in the budget or better. The Group has not achieved the budgeted parameters related to cash flow generation which is a phasing effect in regard to both higher than expected generation in Quarter 4 2017 and higher inventories after Chinese New Year. As the result the key covenant related to cash flow (Group DSCR) is worse than budget.

In terms of key actions current status is that:

1. All 3 key strategic projects are started with one of them with longer ramp-up. For this project we have confirmed forecast and orders to start at full speed in Q3 2018.
2. 70% of the planned price up was implemented with new price increase round under implementation as of June 2018
3. Rationalization effort is ongoing with additional external subcontractor hired to review procurement opportunities in MBL Xiamen
4. Group continues the effort to increase Labor efficiency with EUR 0.2m savings vs budget realized in Quarter 1
5. There is a target to reduce inventories by min. EUR 0.25m till end of Q2 and improve cash position via improved profitability already visible in Quarter 1

Results after Q1 of 2018 has been communicated to both Lenders and so far there are no new measurements nor agreements requested by the Bank or strategic investor. Board of Directors and the Board of Executives continues to assess that there will be no measurements or actions from Lenders which would trigger risk of discontinuation of operations in 2018.

Shareholders loan conversion
In December 2017 the shareholders have agreed to convert into equity EUR 2.0m shareholder’s loans granted to MBL Denmark A/S primarily in the last quarter of 2016. It has been decided in order to improve the company’s equity position and prove shareholder’s determination to invest in further MBL development.

Auditor’s change
The MBL Group Board of Directors has made a decision to change the auditor of the parent company and all subsidiaries to KPMG in line with agreement with the strategic investor AMC Mark III and financing bank BZ WBK Bank Zachodni S.A.

Profit/loss for the year compared to future expectations
As stated above net profit/loss for 2017 was EUR -1.1m loss. It was significantly below planned EUR +1.7m due to significant change in assumptions related to raw material prices but also delay in strategic project implementation.

It is expected to deliver break-even on net profit in 2018 following all budget initiatives mentioned above. It is expected to be based on profitable new products and strategic portfolio simplification in the long term.

Significant events after the end of the financial year
On 15th January the Group has overpaid the long-term loan to BZWBK of EUR 0.1m fulfilling the conditions from the waiver agreement.

Other than that, no events have occurred after the end of the financial year of material importance for the company's financial position.

MANAGEMENT'S REVIEW

Special risks
The Group's most significant operating risk is attached to fluctuations of the PLN/EUR exchange rate affecting sales from MBL Poland, for which a revaluation cannot directly be passed on to the customers as the Group's competitors are primarily located in Asia and, therefore are not, like MBL, very sensitive to more than one currency. It is also related to the RMB/USD exchange rate, for which revaluation is possible to be passed to customers, however, there may be some lagging effect and/or negative customer relationships impact.

Foreign exchange risks
As there are activities in foreign countries, the results, cash flows and equity are influenced by the exchange rate development of several currencies, in particular EUR, USD, RMB and PLN. It is the Group's policy to hedge the commercial foreign exchange risks properly in close cooperation with the Group's principal bank in Poland. For MBL Poland hedging is primarily done in the form of foreign currency options, swaps and forward contracts to hedge the expected sales, purchases within 3 to 12 months in the relevant currencies. No speculative foreign exchange positions are entered.

For MBL Xiamen, due to lack of local hedging possibilities, the Group is rigorously monitoring the exchange rates development and passes on relevant price adjustments to the Group's customers.

Exchange rate adjustments of investments in subsidiaries and associates, which are independent entities, are recognized directly in the equity. Foreign exchange risks related hereto are not, generally, hedged as it is the Group's opinion that a current hedging of such long term investments will not be appropriate from an overall risk and cost perspective.

In order to protect the company against foreign exchange rate losses, MBL has implemented a price adjustment model, which also includes fluctuations in the prices of materials and salaries. The company uses the price adjustment model as a tool for relevant price adjustments for a growing.

Interest risks
Changes in the interest level would have a direct impact on earnings as the interest-bearing net debt represents a considerable amount. In order to reduce the risk of interest fluctuations the Group's latest financing structure is based either on fixed interest rates (like with shareholder's and investor's loans) or is hedged via interest rate swaps (the BZ WBK long term loan).

Market risks
The most significant market risks are related to cost inflation of raw materials and salaries. In both cases it has been noted in the past 12 months that the key cost components are exposed to high single digits increases. In order to reduce the risk, the Group has prepared the budget based on more conservative assumptions and is using the price adjustment model with determination to price up for the whole customer portfolio whenever required.

Environmental situation
It is the Group's basic value that the environmental situation in the subsidiaries should reflect legislation in the individual countries, and it is aimed at meeting similar Danish requirements. In 2016 the Group has run the Environmental Audit which has confirmed that both in MBL Poland and MBL Xiamen Group is almost 100% compliant with requirements. The Group has in 2017 continued the effort to improve production environment as well as the security and health environment in both subsidiaries including selective capital investments.

There was no particular changes in the approach and both subsidiaries remains compliant with legal requirement in respective countries in 2017. On top in 2017 MBL Group was looking for ideas to reduce energy consumption as described in CSR section.

MANAGEMENT'S REVIEW

Knowledge resources
The Group continued in 2017 the development of its main products which will require a continued development of the knowledge resources.

The Group has continued its efforts within knowledge management and improvement including education and training for key staff in Poland and China, sharing best practices between the Group's entities, sharing consultation and management services but also maintaining the knowledge database. The Group is also investing in key job positions and to increase leadership capabilities in selected areas.

Research and development activities
The development activities are handled by the subsidiaries.

The Group's own product program and customer specific products are developed in close cooperation with the customers' purchase and development departments. A considerable amount of time and resources has been used during the year for product documentation and development of the necessary tools for production of customer specific products. A minor share of these costs is covered by the customers. During 2017 there has been a strategic shift towards a higher share of new products owned by the MBL Group vs customer specific projects. Cost rationalizations have been a focus area for the R&D and sourcing resources and it is the key focus area in 2018 as compared to the development of new products.

Future expectations
From a strategic perspective the MBL Group is one of the key suppliers to the rehabilitation industry globally and is therefore operating on the market with an outstanding growth potential. The market for wheelchairs and other rehabilitation devices like rollators and beds, and thus the Group's main products, will grow in the long term because of increasing life expectancy and lifestyle related diseases. The expected growth rate of the market is estimated at 6-7% yearly.

After outstanding growth in 2017, MBL Group is expected to continue to outpace the market with revenue growth expectations for 2018 close to a double-digit growth rate. This is expected to be the result of successful development of new products in the past 2 years in MBL Xiamen (primarily rollators and long-term care beds) with support of a strategic partner. For MBL Poland it is going to be the result of the completion of several major projects which should be a game changer for the Polish subsidiary.

An improved liquidity and new management structure has released considerable staff resources from the top management and all the way through the organization which may be used in a much more appropriate manner and contribute to a considerable improvement of the earnings in the following years.

The key initiatives to improve profitability and achieve goals in 2018 are:
1. Revenue growth on core products with satisfactory margins with focus on stable growth in developed markets of Western Europe and continued expansion in Asia Pacific and the US market
2. Price increases to whole customer portfolio and rigorous price adjustment model implementation in case of further exchange rate/material/salary cost swings
3. Cost rationalization effort particularly on new “high runners” to reduce the cost base and improve margins
4. Tightening the belt on fixed costs and selective people cost reductions
5. People motivation improvement via new bonus system linked to MBL's balanced scorecard parameters and financial results
6. Simplification of the product portfolio and increasing production series to improve productivity
7. People capability improvement via education and selective recruitments

The most important business processes with respect to meeting own targets as compared with the company's own and the customers' expectations continue to be service, quality, delivery on time and project efficiency.

MANAGEMENT'S REVIEW

Future expectations (continued)
The Group continues monthly monitoring of the business via Balanced Scorecard Key Performance Indicators, but also significantly upgraded management financial reporting.

The HR departments will continue to focus on preparation of training and competence development plans in cooperation with the individual department managers. Thus, the selected benchmarks in the Balance Scorecard strategy, including delivery on time, low product defective rate and short project lead time, will be important parameters to ensure optimized business processes. Additionally it is planned to implement a strategic job evaluation process for MBL Xiamen in 2018.

The company's foreign branches
The Company has a no foreign branches.

Corporate social responsibility
The Group desires to develop its business and meet its strategic challenges in a financially and socially justifiable way by adherence to the legislation, and activities and measures of a social nature in all three countries where the Group is operating.

The Group has implemented policies comprising internal guidelines, goals and strategies according to which work is focused on ensuring a safe and healthy working environment and optimization of the processes of the company in order to ensure environmentally responsible operations. For both subsidiaries it has been communicated to each employee in the form of so called staff book. Also in 2017 for each new employee this staff book was communicated.

The Group continuously evaluate existing policies to systematically implement improvements.

Compliance with respective policies and procedures has been regularly monitored and controlled by both internal and external authorized groups. In 2017 there was no breaches or incompliance cases.

In general, it is the management's opinion that the work regarding environment and work environment is supportive of the Group's image and efficiency. The Group's work with social responsibility has also had the effect that the production processes have become less environmentally damaging, and that the consumption of energy is reduced.

Following improvement of financial situation in future, it is expected that these activities will be continued and further intensified.

Environmental situation
All companies within MBL Group are proactively looking for opportunity to reduce energy consumption. In 2017 in MBL Poland there was an Energy consumption audit run by authorized advisors which identified key opportunities in this area. One of the biggest opportunity currently is replacement of lightning to LED. The project is decided to be gradually implemented in next 2-3years depending on available resources.

Human rights
The Group has the policy concerning corporate social responsibility include human rights policies with particular focus on suppliers which is described in the dedicated policy. There was no particular actions in 2017 regarding this policy – the Group is considering the review of key suppliers in the future.

Internally the Group has a code of rules for human rights and environmental and work environmental issues as described in policies. In 2017 there was no cases of breach of any law connected to human rights in any of the subsidiaries.

The Group continues to stay compliant with local regulations and requirements.

Climatic impact
As an element of its policies relating to environmental and social responsibility, the Group focuses on the climatic impact of its production and distribution. There was no particular actions in 2017 related to this matter other than described in Environmental section.

Target figures and policies for the underrepresented gender
The company is working on increasing the number of female leaders and has on this basis as from this year set specific targets for the share of the underrepresented gender in the Board of Directors and prepared policies to ensure the proper gender composition of management in general.

Targets
The company has a target that at least 40% of the board members elected at the Annual General Meeting of the company must be women in 2020. Status at the end of 2017 is that one of the company's board members is a woman, corresponding to 20%. In the selection process Group strictly follows the approach of equal treatment and best competences for all candidates irrespective of gender. Therefore currently there no natural obstacle for achieving the target in the future. As example in MBL Poland particular Board of Directors and Management Board combined in 2017 there 2 new female members elected so that the percentage of females in this group is over 40%.

On lower management level the representation of female managers is currently 40% in MBL Poland and 33% in MBL Xiamen, which proves there is no particular issue with gender underrepresentation.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

		Group		Parent company	
	Note	**2017**	**2016**	**2017**	**2016**
		EUR '000	EUR '000	EUR '000	EUR '000
NET REVENUE.........................	1	**48.153**	**44.710**	**0**	**0**
Production costs.......................	2	-40.044	-37.156	0	0
GROSS PROFIT/LOSS................		**8.109**	**7.554**	**0**	**0**
Distribution costs.....................	2	-1.129	-3.695	0	0
Administrative expenses............	2, 3	-5.570	-4.899	-15	-8
PROFIT/LOSS FROM ORDINARY OPERATIONS............		**1.410**	**-1.040**	**-15**	**-8**
Other operating income.............		377	375	0	0
Other operating expenses...........		-136	-986	0	0
OPERATING PROFIT/LOSS...........		**1.651**	**-1.651**	**-15**	**-8**
Result of equity investments in group and associates................	4	0	0	-1.108	-3.586
Other financial income..............	5	344	1.121	367	66
Other financial expenses............	6	-3.032	-2.934	-372	-70
PROFIT/LOSS BEFORE TAX.........		**-1.037**	**-3.464**	**-1.128**	**-3.598**
Tax on profit/loss for the year.....	7	-85	-116	6	18
PROFIT/LOSS FOR THE YEAR.......	8	**-1.122**	**-3.580**	**-1.122**	**-3.580**

BALANCE SHEET AT 31 DECEMBER

		Group		Parent company	
ASSETS	**Note**	**2017**	**2016**	**2017**	**2016**
		EUR '000	EUR '000	EUR '000	EUR '000
Development projects completed..		1.452	1.087	0	0
Intangible fixed assets acquired....		122	21	0	0
Development projects in progress and prepayments.....................		443	805	0	0
Intangible fixed assets.............	9	**2.017**	**1.913**	**0**	**0**
Land and buildings...................		8.398	7.710	0	0
Production plant and machinery....		3.665	3.810	0	0
Other plant, machinery, tools and equipment............................		1.319	880	0	0
Tangible fixed assets in progress and prepayment......................		9	26	0	0
Tangible fixed assets...............	10	**13.391**	**12.426**	**0**	**0**
Equity investments in group enterprises............................		0	0	1.208	0
Equity investments in associated enterprises............................		1	1	0	0
Receivables from group enterprises............................		0	0	1.902	2.605
Rent deposit and other receivables............................		10	10	0	0
Fixed asset investments...........	11	**11**	**11**	**3.110**	**2.605**
FIXED ASSETS.........................		**15.419**	**14.350**	**3.110**	**2.605**
Raw materials and consumables....		4.332	5.115	0	0
Work in progress......................		502	425	0	0
Finished goods and goods for resale..................................		1.926	814	0	0
Inventories...........................		**6.760**	**6.354**	**0**	**0**
Trade receivables.....................		7.752	7.463	0	0
Receivables from group enterprises............................		0	0	205	0
Receivables from owners and management..........................	12	69	46	0	0
Deferred tax assets..................	13	1.205	1.119	4	0
Other receivables....................		1.757	2.094	0	0
Joint tax contribution receivable..		0	0	0	269
Prepayments and accrued income.	14	249	561	0	0
Receivables...........................	15	**11.032**	**11.283**	**209**	**269**
Cash and cash equivalents.........		**1.856**	**695**	**0**	**0**
CURRENT ASSETS....................		**19.648**	**18.332**	**209**	**269**
ASSETS................................		**35.067**	**32.682**	**3.319**	**2.874**

BALANCE SHEET AT 31 DECEMBER

		Group		Parent company	
EQUITY AND LIABILITIES	**Note**	**2017** EUR '000	**2016** EUR '000	**2017** EUR '000	**2016** EUR '000
Share capital	16	74	67	74	67
Retained earnings		1.057	-263	1.057	-263
EQUITY		**1.131**	**-196**	**1.131**	**-196**
Provision for deferred tax	13	845	648	0	0
PROVISION FOR LIABILITIES		**845**	**648**	**0**	**0**
Bank loan		2.718	327	0	0
Subordinate loan capital		11.007	11.425	1.861	2.738
Lease liabilities		867	2.130	0	0
Long-term liabilities	17	**14.592**	**13.882**	**1.861**	**2.738**
Short-term portion of long-term liabilities	17	1.502	4.022	0	0
Bank debt		5.122	3.432	0	0
Prepayments received concerning work in progress		1	106	0	0
Trade payables		7.797	6.891	0	0
Payables to group enterprises		0	0	0	42
Corporation tax		281	272	281	251
Other liabilities		3.179	2.669	46	39
Accruals and deferred income	18	617	956	0	0
Current liabilities		**18.499**	**18.348**	**327**	**332**
LIABILITIES		**33.091**	**32.230**	**2.188**	**3.070**
EQUITY AND LIABILITIES		**35.067**	**32.682**	**3.319**	**2.874**

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EQUITY

	Group				
	Share capital	Share premium account	Reserve for revaluation	Retained earnings	Total
Equity at 1 January 2017	67	0	1.799	-1.060	806
Change of equity due to correction of errors				-1.002	-1.002
Transfers to/from other items			-1.799	1.799	
Adjusted equity at 1 January 2017	**67**	**0**	**0**	**-263**	**-196**
Capital increase	7	1.997			2.004
Foreign exchange adjustments				214	214
Value adjustments of equity				283	283
Net adjustment of hedging contract				-52	-52
Transfers to/from other items		-1.997		1.997	
Proposed distribution of profit				-1.122	-1.122
Equity at 31 December 2017	**74**	**0**	**0**	**1.057**	**1.131**

	Parent company				
	Share capital	Share premium account	Reserve for net revaluation according to equity valuation	Retained earnings	Total
Equity at 1 January 2017	67	0	633	106	806
Change of equity due to correction of errors			-1.002		-1.002
Transfers to/from other items			369	-369	
Adjusted equity at 1 January 2017	**67**	**0**	**0**	**-263**	**-196**
Capital increase	7	1.997			2.004
Foreign exchange adjustments			214		214
Value adjustments of equity			231		231
Transfers to/from other items		-1.997	663	1.334	
Proposed distribution of profit			-1.108	-14	-1.122
Equity at 31 December 2017	**74**	**0**	**0**	**1.057**	**1.131**

During the year, 50.087 new shares were subscribed at a nominal amount of DKK 1.

CASH FLOW STATEMENT 1 JANUARY - 31 DECEMBER

	Group		Parent company	
	2017	**2016**	**2017**	**2016**
	EUR '000	EUR '000	EUR '000	EUR '000
Profit/loss for the year	-1.122	-3.580	-1.122	-3.580
Reversed depreciation of the year	1.716	1.585	0	0
Reversed realization gains and loss	-69	25	0	0
Profit/loss from subsidiaries	0	0	1.108	3.586
Reversed tax on profit/loss for the year	85	116	-6	-18
Change in inventory	-406	-485	0	0
Change in receivables	337	1.906	24	0
Change in current liabilities (ex bank and tax)	972	-3.164	-4	12
Other cash flows from operating activities	-331	-89	0	0
CASH FLOWS FROM OPERATING ACTIVITY	**1.182**	**-3.686**	**0**	**0**
Purchase of intangible fixed assets	-554	-509	0	0
Purchase of tangible fixed assets	-1.540	-1.366	0	0
Sale of tangible fixed assets	189	0	0	0
Purchase of financial assets /capital increase in group enterprises	0	-1	-2.003	0
Other cash flows from investing activities	0	0	836	-2.737
CASH FLOWS FROM INVESTING ACTIVITY	**-1.905**	**-1.876**	**-1.167**	**-2.737**
Changes in subordinated loan capital	-418	10.560	-836	2.737
Proceeds from long-term borrowing	3.783	0	0	0
Repayments of loans	-5.174	-2.036	0	0
Change in capital	2.003	-1.557	2.003	0
CASH FLOWS FROM FINANCING ACTIVITY	**194**	**6.967**	**1.167**	**2.737**
CHANGE IN CASH AND CASH EQUIVALENTS	**-529**	**1.405**	**0**	**0**
Cash and cash equivalents at 1 January	-2.737	-4.142	0	0
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**-3.266**	**-2.737**	**0**	**0**
Specification of cash and cash equivalents at 31 December:				
Cash and cash equivalents	1.856	695	0	0
Bank debt	-5.122	-3.432	0	0
CASH AND CASH EQUIVALENTS, NET DEBT	**-3.266**	**-2.737**	**0**	**0**

NOTES

	Group		Parent company		Note
	2017 EUR '000	**2016** EUR '000	**2017** EUR '000	**2016** EUR '000	
Net revenue					**1**
Segment details (geography)					
Western Europe	26.044	25.083	0	0	
Eastern Europe	8.873	9.115	0	0	
Asia Pacific	8.740	6.784	0	0	
Other	4.496	3.728	0	0	
	48.153	**44.710**	**0**	**0**	
Staff costs					**2**
Average number of employees					
Group: 1.416 (2016: 1.417)					
Parent company: 0 (2016: 0)					
Wages and salaries	13.178	12.020	0	0	
Pensions	142	131	0	0	
Social security costs	1.562	1.529	0	0	
Other staff costs	910	922	0	0	
	15.792	**14.602**	**0**	**0**	
Remuneration of Management	547	351	0	0	
Remuneration of Board of Directors	10	25	0	0	
	557	**376**	**0**	**0**	
Fee to statutory auditors					**3**
Total fee:					
KPMG	73	0	3	0	
BDO	0	151	0	8	
	73	**151**	**3**	**8**	
Specification of fee:					
Statutory audit	73	58	3	3	
Tax consultancy	0	7	0	0	
Other services	0	86	0	5	
	73	**151**	**3**	**8**	

NOTES

	Group		Parent company		Note
	2017	2016	2017	2016	
	EUR '000	EUR '000	EUR '000	EUR '000	
Result of equity investments in group and associates					**4**
Result of equity investments in group enterprises	0	0	-1.108	-3.586	
	0	**0**	**-1.108**	**-3.586**	
Other financial income					**5**
Interest, group enterprises	0	0	367	60	
Other interest income	344	1.121	0	6	
	344	**1.121**	**367**	**66**	
Other financial expenses					**6**
Interest, group enterprises	0	0	3	2	
Other interest expenses	3.032	2.934	369	68	
	3.032	**2.934**	**372**	**70**	
Tax on profit/loss for the year					**7**
Calculated tax on taxable income of the year	0	232	0	-18	
Adjustment of tax for previous years	-15	129	-2	0	
Adjustment of deferred tax	100	-245	-4	0	
	85	**116**	**-6**	**-18**	
Proposed distribution of profit/loss					**8**
Allocation to reserve for net revaluation according to equity valuation	0	0	-1.108	-3.586	
Retained earnings	-1.122	-3.580	-14	6	
	-1.122	**-3.580**	**-1.122**	**-3.580**	

NOTES

Note

Intangible fixed assets 9

	Group		
	Development projects completed	Intangible fixed assets acquired	Development projects in progress and prepayments
Cost at 1 January 2017	2.577	233	805
Exchange adjustment at closing rate	7	13	-35
Transfer	655	133	-655
Additions	156	70	328
Cost at 31 December 2017	**3.395**	**449**	**443**
Amortisation at 1 January 2017	1.492	212	0
Exchange adjustment at closing rate	2	12	0
Transfer	0	50	0
Depreciation for the year	449	53	0
Depreciation at 31 December 2017	**1.943**	**327**	**0**
Carrying amount at 31 December 2017	**1.452**	**122**	**443**

Special conditions for recognition of development costs
The Company's development projects concern development of wheel chairs, walking frames, hospital beds, electromechanical products, and components for manual wheel chairs. The development progresses as planned and is expected to be completed within 1 to 2 years and company is going to benefit through additional revenues or cost benefits for the following years. The market for these products for the health and senior citizen sector is increasing considerably more than the general economic development according to well-documented market reports and there is a limited competition in the market for this type of products.

NOTES

Note

Tangible fixed assets 10

	Group	
	Land and buildings	Production plant and machinery
Cost at 1 January 2017	7.506	9.634
Exchange adjustment	419	187
Transferred	38	-309
Additions	172	764
Disposals	-129	-113
Cost at 31 December 2017	**8.006**	**10.163**
Revaluation at 1 January 2017	1.804	0
Exchange adjustment	101	0
Revaluation of the year	349	0
Revaluation at 31 December 2017	**2.254**	**0**
Depreciation and impairment losses at 1 January 2017	1.600	5.822
Exchange adjustment	89	93
Reversal of depreciation of assets disposed of	-23	-100
Depreciation for the year	196	683
Depreciation and impairment losses at 31 December 2017	**1.862**	**6.498**
Carrying amount at 31 December 2017	**8.398**	**3.665**
Value of recognised assets, excluding revaluation under § 41 (1)	6.144	
Finance lease assets		1.887

Tangible fixed assets (continued) 10

	Group	
	Other plant, machinery, tools and equipment	Tangible fixed assets in progress and prepayment
Cost at 1 January 2017	4.128	26
Exchange adjustment	-83	1
Transferred	306	-184
Additions	438	166
Disposals	-80	0
Cost at 31 December 2017	**4.709**	**9**
Depreciation and impairment losses at 1 January 2017	3.248	
Exchange adjustment	-76	
Transferred	-50	
Reversal of depreciation of assets disposed of	-80	
Depreciation for the year	348	
Depreciation and impairment losses at 31 December 2017	**3.390**	
Carrying amount at 31 December 2017	**1.319**	**9**
Finance lease assets	419	

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Note

Fixed asset investments 11

	Group	
	Equity investments in associated enterprises	Rent deposit and other receivables
Cost at 1 January 2017	1	10
Cost at 31 December 2017	**1**	**10**
Carrying amount at 31 December 2017	**1**	**10**

	Parent company	
	Equity investments in group enterprises	Receivables from group enterprises
Cost at 1 January 2017	235	2.738
Additions	2.003	1.167
Disposals	0	-2.003
Cost at 31 December 2017	**2.238**	**1.902**
Revaluation at 1 January 2017	-367	0
Exchange adjustment	214	0
Profit/loss for the year	-1.108	0
Equity movements	231	0
Revaluation at 31 December 2017	**-1.030**	**0**
Adjustments of negative value at 1 January 2017	-133	133
Correction of negative value in previous years	133	-133
Adjustments at 31 December 2017	**0**	**0**
Carrying amount at 31 December 2017	**1.208**	**1.902**

Investments in subsidiaries (EUR '000)

Name and registered office	Equity	Profit/loss for the year	Ownership
MBL A/S, Denmark	1.208	-1.108	100 %
MBL Poland Sp. z o.o, Poland	6.613	-775	100 %
MBL (Xiamen) Co., Ltd, China	2.155	-77	100 %

NOTES

Note

Fixed asset investments (continued) **11**

Investments in associates (EUR '000)

Name and registered office	Equity	Profit/loss for the year	Ownership
Celier Holdings Malta Ltd., Malta..................	-	-	49 %

No information is available. The value of the shares are close to 0.

Receivables from owners and Management **12**

Receivables from the executives is in total EUR ('000) 69 at 31 December 2017. These receivables are related to the advance payments for salaries and for travel expenses and should be repaid in full by executives. The balance is monitored regularly by the Supervisory Board and based on this neither impairment loss nor waiver was recognized.

NOTES

Note

Deferred tax assets 13

Deferred tax comprises differences between the carrying amount and the tax value at the balance sheet date and the value of tax losses carryforwards.

	Group		Parent company	
	2017	**2016**	**2017**	**2016**
	EUR '000	EUR '000	EUR '000	EUR '000
Tangible fixed assets..................	652	554	0	0
Current liabilities......................	17	-115	0	0
Long-term liabilities...................	-106	-281	0	0
Current liabilities......................	-36	189	0	0
tax losses carryforwards..............	-887	-818	-4	0
	-360	**-471**	**-4**	**0**
Provision for deferred tax, beginning of year.......................	-471	-646	0	0
Deferred tax for the year, income statement...............................	100	-245	-4	0
Deferred tax for the year, equity....	11	420	0	0
Deferred tax at 31 December 2017	**-360**	**-471**	**-4**	**0**
It is recognized as follows:				
Deferred tax (assets)..................	1.205	1.119	4	0
Deferred tax (provision)..............	845	648	0	0
	360	**471**	**4**	**0**

The Group’s deferred net tax asset is recognised in the balance sheet by EUR (’000) 360. The net tax asset relates primarily to unused tax losses in Poland. The tax asset is recognised on the basis of the expectations for the positive tax profits for the next couple of years, and the tax losses are then fully utilized. The assessments are made on the basis of the Group’s budget for next year and strategic expectations the subsequent four year. The budget has been prepared in accordance with the enterprise’s common budget procedure.

Prepayments and accrued income 14

Prepayments and accrued income comprise prepaid costs, primarily insurances and deferred financing costs, relating to the next financial year.

NOTES

Note

	Group 2017 EUR '000	Group 2016 EUR '000	Parent company 2017 EUR '000	Parent company 2016 EUR '000	Note
Receivables falling due after more than one year					15
Trade receivables	-	2.701	-	-	
Other receivables	121	1.297	-	-	
	121	**3.998**	**0**	**0**	

	2017 EUR '000	2016 EUR '000	Note
Share capital			16
Specification of the share capital:			
A-shares, 500.000 in the denomination of 1 DKK	67	67	
A-shares, 50.087 in the denomination of 1 DKK	7	0	
	74	**67**	

Long-term liabilities 17

Group	1/1 2017 total liabilities	31/12 2017 total liabilities	Repayment next year	Debt outstanding after 5 years
Bank loan	3.766	3.784	1.066	0
Subordinate loan capital	11.425	11.007	0	0
Lease liabilities	2.713	1.303	436	0
	17.904	**16.094**	**1.502**	**0**

Parent company	1/1 2017 total liabilities	31/12 2017 total liabilities	Repayment next year	Debt outstanding after 5 years
Subordinate loan capital	2.738	1.861	0	0
	2.738	**1.861**	**0**	**0**

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

Accruals and deferred income 18

Accruals and deferred income include mainly the payments received frem subsidy projects regarding income in subsequent years and accruals for expenses including retirement provision.

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Note

Contingencies etc. **19**

Contingent liabilities

	Group		Parent company	
	2017	**2016**	**2017**	**2016**
	EUR '000	EUR '000	EUR '000	EUR '000
Rent commitments in which the termination period expires within 5 years, in total...........................	10	10	0	0
Withholding tax, China................	940	940	0	0

MBL Denmark A/S and MBL A/S' subsidiaries, MBL Poland Sp. z o.o and MBL (Xiamen) Co. Ltd., have issued a guarantee in relation to the subsidiary MBL A/S' debt to lender of subordinate loan capital of an amount of EUR (‘000) 10.018.

MBL Denmark A/S, MBL A/S and MBL (Xiamen) Co. Ltd., have also issued a guarantee in relation to the subsidiary MBL Poland debt to BZ WBK bank - lender of senior loan. Maximum level in light of loan agreement is EUR (’000) 12.568.

Joint liabilities
The Danish companies of the Group are jointly and severally liable for tax on the Group’s joint taxable income and for certain possible withholding taxes such as dividend tax and royalty tax, and for the joint registration of VAT.

Tax payable of the Group’s joint taxable income amounts to EUR (‘000) 281 at the balance sheet date.

NOTES

Note

Charges and securities **20**

	Group		Parent company	
	Carrying amount of assets	Nominal value of mortgage or outstanding debt	Carrying amount of assets	Nominal value of mortgage or outstanding debt
	EUR '000	EUR '000	EUR '000	EUR '000
The following assets have been provided as security for debt:				
Equity investment in group enterprises under fixed assets investment (MBL Denmark A/S), primary pledge	0	0	1.208	12.569
Equity investment in group enterprises under fixed assets investment (MBL Denmark A/S), secondary pledge	0	0	1.208	10.018
Other plant, machinery, tools and equipment are subject to ownership reservation. (MBL A/S)	0	1	0	0
Owner's mortgages on property, etc., as security for bank debt of a nominal amount of (MBL PL)	8.398	14.401	0	0
Chattel mortgage on machinery and plant (MBL PL)	1.560	32.974	0	0
Chattel mortage on current assets (MBL PL)	6.965	32.974	0	0
Assigment of receivable, factoring (MBL PL)	1.740	2.873	0	0
Cash at banks (MBL PL)	632	30.101	0	0
The following assets are financed by finanse leases:				
Production plant and machinery (MBL PL)	1.382	1.108	0	0
Production plant and machinery (MBL CN)	505	194	0	0
Other plant, machinery, tools and equipment (MBL PL)	419	1.108	0	0

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Note

Related parties 21

MBL Denmarks A/S' related parties include:

The Controlling interest

Mogens Bichel Lauritsen, Ul. Sulejowska 45, 97300 Piotrkow, Poland
(ownership and family relationships)

Ingelise Nygaard Lauritsen, Ul. Sulejowska 45, 97300 Piotrkow, Poland
(ownership and family relationships)

Martin Bichel Lauritsen, Ul. Sulejowska 45, 97300 Piotrkow, Poland
(ownership and family relationships)

Anne Bichel Lüneborg, Hellerupvej 59, 2900 Hellerup, Denmark
(ownership and family relationships)

Tine Birch Lauritsen, Langdalsparken 19, 8600 Silkeborg, Denmark
(ownership and family relationships)

Lars Lüneborg, Hellerupvej 59, 2900 Hellerup, Denmark
(Member of the board of Directors and family ralationships)

Transactions with related parties

MBL Denmark A/S did not carry out any substantial transactions that were not concluded on market conditions. According to section 98c, subsection 7 of the Danish Financial Statements Act information is given only on transactions that were not performed on common market conditions.

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Note

Uncertainty with respect to going concern 22

Year 2017 has finished with loss on net profits due to factors like lower sales from MBL Poland, negative material prices development and negative currency impact mentioned above.

In the same time present Group's borrowings are high, with senior debt to BZ WBK on the balance date of EUR 8.9m and subordinated debt to strategic investor of EUR 10.0m, which creates a substantial cost of financing in the Group's P&L.

Therefore there is a risk related to negative results in 2017 which resulted in financial covenants breaches in the financing agreements with bank and investor. As there is a tight Cash situation lack of sufficient financing may have negative impact on the Group's ability to continue operations. In order to make sure that this risk will not materialize the Group has been implementing the following action plan:

1. An agreement has been reached with both investor and the bank about waiving the covenant breaches for the whole 2017 signed in December 2017. The Group has fulfilled the conditions of this agreement
2. Both investor and financing bank have approved the budget for 2018 and the delivery of the budget is monitored monthly
3. The Group has implemented a price increase initiative already to 70% of planned value and is expecting to reach full annual level in May 2018
4. The Group is successfully implementing already to full extent 2 out of 3 strategic projects with the 3rd one also starting sales. Current order level is record high leading to 11% revenue growth in Quarter 1 vs Quarter 1 last year
5. Rationalization program is on-going with full involvement of the majority of the R&D resources
6. The Group continues very tight control over headcount and labor cost within the administration area and simultaneously a bonus program has been implemented to boost productivity

The budget initiatives for 2018 are an assurance that the Group's expected delivery of financial parameters should be achieved with a buffer for potential risks.

If one or more of the budget assumptions are not realized, it may lead to a need for additional financing. However, it is the assessment of the Board of Directors and the Board of Executives that the budget and the assumptions can be realized, and the consolidated and parent company annual report is therefore presented on the assumption of going concern.

In Quarter 1 of 2018 the Group has achieved the turnover growth of 10.6% vs last year which is close to budgeted and Normalized EBITDA level of EUR 0.9m which is significantly above planned. As the result the key covenant parameters like Debt ratio and Net debt ratio are as agreed in the budget or better. The Group has not achieved the budgeted parameters related to cash flow generation which is a phasing effect in regard to both higher than expected generation in Quarter 4 2017 and higher inventories after Chinese New Year. As the result the key covenant related to cash flow (Group DSCR) is worse than budget.

NOTES

Note

Uncertainty with respect to going concern (continued) **22**

In terms of key actions current status is that:

1. All 3 key strategic projects are started with one of them with longer ramp-up. For this project we have confirmed forecast and orders to start at full speed in Q3 2018.
2. 70% of the planned price up was implemented with new price increase round under implementation as of June 2018
3. Rationalization effort is ongoing with additional external subcontractor hired to review procurement opportunities in MBL Xiamen
4. Group continues the effort to increase Labor efficiency with EUR 0.2m savings vs budget realized in Quarter 1
5. There is a target to reduce inventories by min. EUR 0.25m till end of Q2 and improve cash position via improved profitability already visible in Quarter 1

Results after Q1 of 2018 has been communicated to both Lenders and so far there are no new measurements nor agreements requested by the Bank or strategic investor. Board of Directors and the Board of Executives continues to assess that there will be no measurements or actions from Lenders which would trigger risk of discontinuation of operations in 2018.

On 15th January the Group has overpaid the long-term loan to BZWBK of EUR 0.1m fulfilling the conditions from the waiver agreement" just before "The budget initiatives for 2018 are an assurance that the Group's expected delivery of financial parameters should be achieved with a buffer for potential risks

Information on uncertainty with respect to recognition and measurement **23**

During previous years the Group has built up the receivables balance of EUR 4.3m in the form of loan and trade receivables from one of business partners which is currently a strong contributor of Group turnover growth. In the course of year 2017 regular repayments of both loans and trade receivables have been noticed, however, due to sudden sales growth (92% vs 2016 sales) the balance vs last year has increased by EUR 0.4m on the Group level. The growth of the balance of trade receivables and loan granted is in all material respect granted on the basis of cooperation agreement and as part of an overall business plan for cooperation on new activities with proven opportunity of sales in 2017.

In view of the size of the receivables, its long repayment period in relation to common terms of trading, and the matter that the loan and trade are primarily granted to a Company Group with a modest capital base, the recognition and measurement hereof are subject to uncertainty.

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

Note

Derivative financial instruments **24**

In line with agreed hedging strategy as part of the hedging projected sales and purchase transactions, the Group uses hedging instruments, such as forward exchange contracts, currency options and interest and currency swaps with support of principal bank. In line with internal policy and approvals the new hedge contracts are open yearly or quarterly to secure budget currency rate for next year.

At 31 December 2017 the Group has open forward options pairs for hedging in MBL Poland of future sales in EUR 1.0 m with a positive value of EUR ('000) 8 and open forward options pairs for future purchase in USD 1.2 m with a negative value of EUR ('000) 45.

The Group also has open interests swap hedging in line with bank agreement valued at EUR ('000) 27 negative at year end. The hedging contracts valuation loss is recognized in the equity.

No hedging contracts is of speculative nature.

ACCOUNTING POLICIES

The annual report of MBL Denmark A/S for 2017 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, large enterprise.

The annual report is prepared consistently with the accounting principles applied last year, except for the following changes.

Change in accounting policies
The accounting policies have been changed in the following areas:

- The annual report for 2017 is presented in EUR, which is regarded as the primary currency in relation to the group's activity

Opening balance adjustment due to significant errors in previous years
The company's Management identified significant errors during the year in relation to valuation of certain assets in the company's subsidiaries in Poland and China.

In the company's subsidiary in Poland the main error was related to fair value inventory which should have been impaired to reflect old non-saleable materials which should have been adjusted by EUR 503k. It was also misunderstanding regarding the definition of borrowing costs, and relatively small calculation errors mainly in the interests and prepayment. In the company's subsidiary in China, estimated receivable supplier discounts of EUR 565k from previous years were not, by omission mistake, reversed, and there were small calculation errors mainly in the write down of inventory.

Comparative figures are adjusted for the relevant years. Corrections are not made for specific years before 2016 due to lack of reliable source of calculation.

ACCOUNTING POLICIES

The errors relating to the consolidated financial statements are specified below:

Correction of income statement/equity:	Correction for current financial year	Correction of comparative figures
Income statement		
Write-down, (mainly inventories), etc.		-556
Reversed supplier rebates (trade payables)		-565
Redefinition of borrowing costs		249
Interest calculations		100
Tax on above items		100
Net adjustment in the income statement		**-672**
Directly on equity		
Deferred tax on prepayments write off		-132
Defferred tax from assets revaluation/leasback		-142
Previous years building revaluation		-68
Net adjustment in the equity	**0**	**-342**
Foreign exchange adjustments directly on equity		12
Net effect on equity	**-1.002**	**-1.002**
Net effect on Fixed Assets		**71**
Net effect on Current assets Assets		**-831**
Net effect on Liabilities		**-242**

Parent company
The company's Management identified errors during the year in relation to recognition and measurement of value on Equity investments in group enterprises, in Poland as well as China.

In the company's subsidiary in Poland it was misunderstandings regarding the definition of borrowing costs, and calculation errors in the calculation of interest and inventory, etc. In the company's subsidiary in China, estimated receivable supplier discounts from previous years were not, by mistake, reversed, and there were calculation errors in the write-down of inventory, etc.

Comparative figures are adjusted for the relevant years. Corrections are not made for specific years before 2016 due to immateriality.

Subsidiaries were recognized by EUR ('000) 1.002 too high, thus reducing the year's profit for the comparative year 2016. The asset,"Equity investments in group enterprises" has been reduced accordingly. As a result, equity is reduced EUR ('000) 1.002, at 1 January 2017.

ACCOUNTING POLICIES

Consolidated financial statements

The consolidated financial statements include the parent company MBL Denmark A/S and its subsidiaries in which MBL Denmark A/S directly or indirectly holds more than 50% of the voting rights or in any other way has a controlling influence. Enterprises in which the group holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence, are considered associates, see the group structure.

The consolidated financial statements consolidate the financial statements of the parent company and the subsidiaries by combining uniform accounts items. Intercompany income and expenses, shareholdings, internal balances and dividend, and realised and unrealised gains and losses arising from transactions between the consolidated enterprises are fully eliminated in the consolidation.

New acquired or established enterprises are recognised in the consolidated financial statements from the time of acquisition. Sold or wound up enterprises are recognised in the consolidated income statement up to the time of disposal. Comparative figures are not adjusted for new acquired, sold or wound up enterprises.

Acquired enterprises are recognised in the consolidated financial statements under the acquisition method, reassessing all identified assets and liabilities to fair value at the acquisition date. The fair value is calculated based on acquisitions made in an active market, alternatively calculated using generally accepted valuation methods. Upon calculation of the fair value of properties used in the business a discounted cash flow model is applied based on discounted cash flow of future earnings. Operating equipment is recognised at fair value based on an assessor's opinion, built on an overall assessment of the production equipment.

Investments in subsidiary enterprises are set off by the proportional share of the subsidiaries' market value of net assets and liabilities at the acquisition date.

Positive differences between acquisition value and market value of acquired and identified assets and liabilities are recognised in intangible fixed assets as goodwill and amortised systematically in the Income Statement under an individual assessment of the useful life. Negative differences are recognised in the Income Statement upon acquisition. Differences from acquired enterprises amounts to 0 DKK ('000).

Investments in associates are measured in the balance sheet at the proportional share of the value of the enterprises, calculated under the accounting policies of the parent company and eliminating proportionally any unrealised intercompany gains and losses. The proportional share of the results of the associates is recognised in the income statement after elimination of the proportional share of internal gains and losses.

ACCOUNTING POLICIES

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.

Production costs
Production costs comprise costs, including wages and salaries and write-off, incurred to achieve the net revenue for the year. Commercial enterprises recognise cost of sales, and the manufacturing enterprises recognise production costs equal to the revenue for the year, including direct and indirect costs of raw materials and consumables, wages and salaries, rent and leasing and depreciation of production plant.

Amortisation of capitalised development and research costs and the development costs that do not fulfil the criteria for capitalisation are also recognised in production costs.

Impairment losses are recognised in connection with expected losses on project contracts.

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

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

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

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

Investments in subsidiaries and associates
The income statement of the parent company recognises the proportional share of the results of each subsidiary after full elimination of intercompany profits/losses and deduction of amortisation of goodwill.

Dividend from equity investment in associates is recognised as income in the financial year where the devidend is declared.

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

ACCOUNTING POLICIES

BALANCE SHEET

Intangible fixed assets
Patents and licences are measured at the lower of cost less accumulated amortisation or the recoverable amount. Patents are amortised over the residual patent term and licences are amortised over the term of the agreement, however, no more than 8 years.

Development costs comprise costs, including wages and salaries, and amortisation, which directly or indirectly can be related to the company's development activities and which fulfil the criteria for recognition.

Capitalised development costs are measured at the lower of cost less accumulated amortisation or recoverable amount.

Capitalised development costs are amortised on a straight-line basis over the estimated useful life after completion of the development work. The amortisation period is normally 4 years.

Intangible fixed assets are generally written down to the lower of recoverable value and carrying amount.

Profit or loss from sale of intangible fixed assets is calculated at the difference between the sales price and the carrying amount at the time of the sale. Profit and loss are recognised in the income statement under other operating income or other operating expenses.

Tangible fixed assets
Land and buildings are measured at fair value less accumulated depreciation. The fair value is based on assessments made by estate agents. A new assessment will be made if there is any indication of change of the fair value. The net revaluation is recognized directly in the equity as a separate reserve.

Production plant and machinery, other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses

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

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used. As regards self-manufactured assets, the cost price includes cost of materials, components, subcontractors, direct payroll and indirect production costs.

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
Buildings	20-40 years	25-50 %
Production plant and machinery	5-10 years	0-30 %
Other plant, fixtures and equipment	3-8 years	0-30 %

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

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

ACCOUNTING POLICIES

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.

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

All other lease contracts are considered to be operating leases. Payments related to operating leases and other rental agreements are recognised in the income statement over the term of the contract. The company's total liability relating to operating leases and rental agreements is disclosed as contingencies etc.

Fixed asset investments

Investments in subsidiaries and associates are measured in the company's balance sheet under the equity method.

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

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

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

Equity investments in associates are measured at cost. If the cost exceeds the net realisable value, it is written down to the lower value.

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

Impairment of fixed assets

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

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

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

ACCOUNTING POLICIES

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

The net realisable value of inventories is stated at sales price less completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price.

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
Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the income statement over the term of loan.

Amortised cost of current liabilities usually corresponds to nominal value.

The capitalised residual lease liability on finance lease contracts is also recognised as financial liabilities.

ACCOUNTING POLICIES

Accruals, liabilities
Accruals recognised as liabilities include payments received regarding income in subsequent years.

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

Change in fair value of derivative financial instruments classified as and complying with the criteria for hedging of the fair value of a recognised asset or a recognised liability is recognised in the income statement together with possible changes in the fair value of the hedged asset or the hedged liability.

Change in fair value of derivative financial instruments classified as and complying with the criteria for hedging of future cash flows is recognised under receivables or payables and under equity. If the future transaction results in recognition of assets or liabilities, all amounts recognised under equity are transferred from equity and recognised under the initial cost of the asset or liability, respectively. If the future transaction results in income or expenses amounts recognised under equity are transferred to the income statement for the period where the Income Statement was affected by the hedged amount.

As regards possible derivative financial instruments, which do not comply with the criteria for classification as hedging instruments, any changes in fair value are recognised on a current basis in the Income Statement.

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

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

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

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

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

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

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

ACCOUNTING POLICIES

CASH FLOW STATEMENT

The cash flow statement shows the company's cash flows for the year for operating activities, investing activities and financing activities in the year, the change in cash and cash equivalents of the year and cash and cash equivalents at beginning and end of the year.

Cash flows from operating activities:
Cash flows from operating activities are computed as the results for the year adjusted for non-cash operating items, changes in net working capital and corporation tax paid.

Cash flows from investing activities:
Cash flows from investing activities include payments in connection with purchase and sale of intangible and tangible fixed asset and fixed asset investments.

Cash flows from financing activities:
Cash flows from financing activities include changes in the size or composition of share capital and related costs, and borrowings and repayment of interest-bearing debt and payment of dividend to shareholders.

Cash and cash equivalents:
Cash and cash equivalents include bank overdraft and cash in hand.