
DC Råstoffer A/S

B-Vej 8, DK-2300 København S

Annual Report for 1 January - 31 December 2017

CVR No 30 81 48 00

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
31/5 2018

Géry De Cloedt
Chairman



Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Company Information	
Company Information	5
Management's Review	6
Financial Statements	
Income Statement 1 January - 31 December	7
Balance Sheet 31 December	8
Cash Flow Statement 1 January - 31 December	10
Notes to the Financial Statements	11

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of DC Råstoffer A/S for the financial year 1 January - 31 December 2017.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Company and of the results of the Company operations and cash flows for 2017.

We recommend that the Annual Report be adopted at the Annual General Meeting.

København, 31 May 2018

Executive Board

Roland Gagel

Board of Directors

Géry De Cloedt
Chairman

Emmanuel Pierre Maes

Roland Gagel

Independent Auditor's Report

To the Shareholder of DC Råstoffer A/S

Qualified Opinion

In our opinion, excepting the potential effects of the matter described in the Basis for qualified opinion paragraph, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of DC Råstoffer A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, cash flow statement and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for Qualified Opinion

As described in notes 1 and 2 to the Annual Report, the Company is a party to a pending lawsuit with the lessor, which has implied that the Company's inventories are not under the Company's full control. Consequently, it has not been possible to carry out a physical inventory check at 31 December 2017 as the lessor has physically limited the Company's access to the inventories.

We have not otherwise been able to obtain sufficient appropriate audit evidence with respect to the existence of the Company's inventories at 31 December 2017 recognised in the balance sheet at DKK 2,716k.

Our opinion with respect to the value recognised in the balance sheet at 31 December 2017 and the results for the year has been modified due to the possible effect of the matter on the Company's inventories and, thus, its assets and the possible related effect on the results for the year through the cost of sales for the year recognised in the gross loss for the year.

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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We refer to note 1 to the Financial Statements, which shows that the Company has realised a loss before tax of DKK 4,714k in the year ended 31 December 2017, and that the Company's liabilities at this date exceed its assets by DKK 14,217k. These matters together with the matters mentioned in note 1 and 2 indicate that a material uncertainty exists which may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion has not been modified in respect of this matter.

Independent Auditor's Report

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 Financials Statements Act.

Based on the work we have performed, in our view, 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 in Management's Review.

Management's responsibilities 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 judgement and maintain professional scepticism 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 evi-

Independent Auditor's Report

dence 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.
- 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.

Herning, 31 May 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Martin Skov Hansen

statsautoriseret revisor

mne33257

Company Information

The Company

DC Råstoffer A/S
B-Vej 8
DK-2300 København S
E-mail: info@dcraastoffer.dk

CVR No: 30 81 48 00
Financial period: 1 January - 31 December
Municipality of reg. office: København

Board of Directors

Géry De Cloedt , Chairman
Emmanuel Pierre Maes
Roland Gagel

Executive Board

Roland Gagel

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Platanvej 4
DK-7400 Herning

Management's Review

Key activities

The principal activity of the Company is the operation of gravel pits as well as dredging and entry of raw materials to various ports.

Development in the year

The income statement of the Company for 2017 shows a loss of DKK 3,677,171, and at 31 December 2017 the balance sheet of the Company shows negative equity of DKK 14,217,070.

Uncertainty relating to recognition and measurement

The Company is a party to a pending dispute. The counterparty claims that a lease has been breached and has raised a claim against the Company. Moreover, the pending dispute implies that the inventories stated in the Financial Statements are not under the control of the Company as the inventories are located at the address of the lessor and are a part of the pending dispute.

It is a condition for the Company continuing as a going concern that the pending dispute be closed without any further claims being raised against the Company other than that recognised in the Financial Statements. We refer to the description in note 1 and 2.

Income Statement 1 January - 31 December

	Note	2017 DKK	2016 DKK
Gross profit/loss		449,763	5,186,429
Staff expenses	3	-3,977,930	-7,824,183
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	4	-268,442	-2,049,771
Other operating expenses		-293,136	-4,957,729
Profit/loss before financial income and expenses		-4,089,745	-9,645,254
Financial income		4,189	16,120
Financial expenses	5	-628,615	-764,449
Profit/loss before tax		-4,714,171	-10,393,583
Tax on profit/loss for the year	6	1,037,000	2,286,121
Net profit/loss for the year		-3,677,171	-8,107,462

Distribution of profit

Proposed distribution of profit

Retained earnings		-3,677,171	-8,107,462
		-3,677,171	-8,107,462

Balance Sheet 31 December

Assets

	Note	2017 DKK	2016 DKK
Acquired concessions		0	274,500
Intangible assets	7	0	274,500
Plant and machinery		0	1,523,442
Other fixtures and fittings, tools and equipment		0	25,809
Property, plant and equipment	8	0	1,549,251
Fixed assets		0	1,823,751
Raw materials and consumables		0	717,427
Finished goods and goods for resale		2,715,776	3,138,915
Inventories		2,715,776	3,856,342
Trade receivables		283,746	1,923,796
Receivables from group enterprises		1,783,518	5,993,712
Other receivables		158,103	690,080
Deferred tax asset		3,283,000	2,246,000
Corporation tax		0	1,404,121
Prepayments		4,583	169,105
Receivables		5,512,950	12,426,814
Cash at bank and in hand		0	26,952
Currents assets		8,228,726	16,310,108
Assets		8,228,726	18,133,859

Balance Sheet 31 December

Liabilities and equity

	Note	2017 DKK	2016 DKK
Share capital		500,000	500,000
Retained earnings		-14,717,070	-11,039,899
Equity	9	-14,217,070	-10,539,899
Payables to group enterprises		12,546,500	12,546,500
Long-term debt	10	12,546,500	12,546,500
Credit institutions		7,097,915	7,653,997
Trade payables		1,308,474	1,802,169
Payables to group enterprises	10	461,576	385,691
Other payables		1,031,331	6,285,401
Short-term debt		9,899,296	16,127,258
Debt		22,445,796	28,673,758
Liabilities and equity		8,228,726	18,133,859
Going concern	1		
Uncertainty relating to recognition and measurement	2		
Contingent assets, liabilities and other financial obligations	13		
Related parties	14		
Accounting Policies	15		

Cash Flow Statement 1 January - 31 December

	Note	2017 DKK	2016 DKK
Net profit/loss for the year		-3,677,171	-8,107,462
Adjustments	11	-1,216,996	5,469,708
Change in working capital	12	-2,270,648	5,621,484
Cash flows from operating activities before financial income and expenses		-7,164,815	2,983,730
Financial income		4,189	16,120
Financial expenses		-628,617	-764,449
Cash flows from ordinary activities		-7,789,243	2,235,401
Corporation tax paid		1,404,121	0
Cash flows from operating activities		-6,385,122	2,235,401
Purchase of intangible assets		0	-274,500
Purchase of property, plant and equipment		0	-2,946,966
Sale of intangible assets		274,500	0
Sale of property, plant and equipment		2,353,673	7,885,479
Cash flows from investing activities		2,628,173	4,664,013
Repayment of loans from credit institutions		-3,136,392	-5,090,407
Repayment of payables to group enterprises		4,286,079	-1,122,139
Cash flows from financing activities		1,149,687	-6,212,546
Change in cash and cash equivalents		-2,607,262	686,868
Cash and cash equivalents at 1 January		-4,490,653	-5,177,521
Cash and cash equivalents at 31 December		-7,097,915	-4,490,653
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		0	26,952
Overdraft facility		-7,097,915	-4,517,605
Cash and cash equivalents at 31 December		-7,097,915	-4,490,653

Notes to the Financial Statements

1 Going concern

At 31 December 2017, the Company's equity is negative by DKK 14.2 million. The Company is financed through debt to the Parent Company of DKK 12.7 million and debt to credit institutions of DKK 7.1 million. The Company's limit with credit institution is guaranteed through cross-liabilities provided by fellow subsidiaries. At the balance sheet date, the Company is without any activity, and the Company's fixed assets have been transferred to a fellow subsidiary. The Company is a party to a pending dispute. The counterparty claims that a lease has been breached and has raised a claim against the Company. Moreover, the pending dispute implies that the inventories stated in the Financial Statements are not under the control of the Company as the inventories are located at the address of the lessor and are a part of the pending dispute. It is a condition for the Company continuing as a going concern that the pending dispute be closed without any further claims being raised against the Company other than that recognised in the Financial Statements. If the dispute is closed without any further claims, the Company will be merged into one of the fellow subsidiaries.

Management assesses that the dispute may be closed without any further claims against the Company other than that already recognised in the Financial Statements and that the current financing may be maintained until the Company may be merged into a fellow subsidiary. Consequently, Management prepares the Annual Report under the going concern assumption. We moreover refer to the description of the uncertainty relating to recognition and measurement in note 2.

Based on the Company's capital position and the general uncertainty relating to the Company's activity and the pending dispute, material uncertainty exists which may cast significant doubt on the Company's ability to continue as a going concern.

2 Uncertainty relating to recognition and measurement

The Company's inventories are not under the full control of the Company due to the pending dispute with the lessor. As quantities and pricing have been subject to disagreement, there is uncertainty as to both the recognition and measurement of the inventories.

The Company's recognition of the deferred tax asset is based on the Company continuing as a going concern and receiving compensation in the joint taxation for the utilisation of losses. This assessment is subject to uncertainty.

Notes to the Financial Statements

	2017	2016
	DKK	DKK
3 Staff expenses		
Wages and salaries	3,355,066	6,215,569
Pensions	382,630	940,859
Other social security expenses	111,584	353,375
Other staff expenses	128,650	314,380
	3,977,930	7,824,183
Average number of employees	9	18
4 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Depreciation of property, plant and equipment	268,442	2,049,771
	268,442	2,049,771
5 Financial expenses		
Interest paid to group enterprises	272,068	194,501
Other financial expenses	356,547	569,948
	628,615	764,449
6 Tax on profit/loss for the year		
Current tax for the year	0	-1,404,121
Deferred tax for the year	-1,037,000	-882,000
	-1,037,000	-2,286,121

Notes to the Financial Statements

7 Intangible assets

	Acquired con- cessions
	DKK
Cost at 1 January	274,500
Additions for the year	322,650
Disposals for the year	-597,150
Cost at 31 December	<u>0</u>
Transfers for the year	<u>0</u>
Revaluations at 31 December	<u>0</u>
Impairment losses and amortisation at 1 January	<u>0</u>
Impairment losses and amortisation at 31 December	<u>0</u>
Carrying amount at 31 December	<u>0</u>

8 Property, plant and equipment

	Plant and machinery
	DKK
Cost at 1 January	2,797,928
Disposals for the year	-2,797,928
Cost at 31 December	<u>0</u>
Revaluations at 1 January	<u>0</u>
Revaluations at 31 December	<u>0</u>
Impairment losses and depreciation at 1 January	1,248,677
Depreciation for the year	268,441
Reversal of impairment and depreciation of sold assets	-1,517,118
Impairment losses and depreciation at 31 December	<u>0</u>
Carrying amount at 31 December	<u>0</u>

Notes to the Financial Statements

9 Equity

	Share capital DKK	Retained earnings DKK	Total DKK
Equity at 1 January	500,000	-11,039,899	-10,539,899
Net profit/loss for the year	0	-3,677,171	-3,677,171
Equity at 31 December	500,000	-14,717,070	-14,217,070

10 Long-term debt

	2017 DKK	2016 DKK
Debt falling due after 5 years	12,546,500	12,546,500
	12,546,500	12,546,500

11 Cash flow statement - adjustments

Financial income	-4,189	-16,120
Financial expenses	628,615	764,449
Depreciation, amortisation and impairment losses, including losses and gains on sales	-804,422	7,007,500
Tax on profit/loss for the year	-1,037,000	-2,286,121
	-1,216,996	5,469,708

12 Cash flow statement - change in working capital

Change in inventories	1,140,566	2,514,266
Change in receivables	2,336,549	1,257,759
Change in trade payables, etc	-5,747,763	1,849,459
	-2,270,648	5,621,484

Notes to the Financial Statements

	2017 DKK	2016 DKK
13 Contingent assets, liabilities and other financial obligations		
Charges and security		
The following assets have been placed as security with bankers:		
Inventories, company mortgage	2,715,776	3,856,342
Sales receivable, company mortgage	283,746	1,923,796
Intangible assets, company mortgage	0	274,500
Other fixtures and fittings, tools and equipment, company mortgage	0	25,809

Company mortgage has been provided as security at a total amount of DKK 9,000k and is also provided as security for affiliated companies outstanding bank debts as 31 December amounting to DKK 62,627k.

The Company has issued owner's mortgage at a total of DKK 4,000k as security for the Company and affiliated companies' bank debts. The owner's mortgage provides mortgage on plant and machinery.

Guarantee obligations

Security in respect of affiliated companies outstanding bank debts at 31 December amounting to DKK 62,627k.

Warranties in the amount of DKK 2,507k have been issued on behalf of the company.

Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Dansk Natursten A/S, which is the management company of the joint taxation purposes. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

14 Related parties

The company is included in the consolidated report for the ultimate parent company

<u>Name</u>	<u>Place of registered office</u>
Group De Cloedt s.a.	Rue Gachard 88 Bfk 12, 1050 Ixelles, Belgium

The Group Annual Report of Group De Cloedt s.a. may be obtained at the following address:

Rue Gachard 88 Bfk 12
1050 Ixelles
Belgium

Notes to the Financial Statements

15 Accounting Policies

The Annual Report of DC Råstoffer A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2017 are presented in DKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Notes to the Financial Statements

15 Accounting Policies (continued)

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Notes to the Financial Statements

15 Accounting Policies (continued)

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses other than production wages.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time

Notes to the Financial Statements

15 Accounting Policies (continued)

when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Establishment on leased land	10 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-5 years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,200 are expensed in the year of acquisition.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Notes to the Financial Statements

15 Accounting Policies (continued)

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in 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 will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the

Notes to the Financial Statements

15 Accounting Policies (continued)

loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Cash Flow Statement

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

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand" and "Overdraft facilities".

The cash flow statement cannot be immediately derived from the published financial records.