

AFRICA AUTOMOTIVE A/S
NORGESVEJ 2, 5700 SVENDBORG
ANNUAL REPORT
1 JANUARY - 31 DECEMBER 2017

**The Annual Report has been presented and
adopted at the Company's Annual General
Meeting on 27 March 2018**

Jørn Raaschou

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

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COMPANY DETAILS

Company	Africa Automotive A/S Norgesvej 2 5700 Svendborg
	CVR no.: 31 07 13 48
	Established: 15 November 2007
	Registered Office: Svendborg
	Financial Year: 1 January - 31 December
Board of Directors	Hans Johan Christian Bukkehave, Chairman Kim Ole Vandbæk Kenn Janerka Olsen
Board of Executives	Kenn Janerka Olsen
Auditor	BDO Statsautoriseret revisionsaktieselskab Norgesvej 2 5700 Svendborg
Bank	Jyske Bank A/S Mageløs 8 5100 Odense C

STATEMENT BY BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

Today the Board of Directors and Board of Executives have discussed and approved the Annual Report of Africa Automotive 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 Financial Statements give a true and fair view of the the Company's financial position at 31 December 2017 and of the results of the 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.

Svendborg, 27 March 2018

Board of Executives

Kenn Janerka Olsen

Board of Directors

Hans Johan Christian Bukkehave
Chairman

Kim Ole Vandbæk

Kenn Janerka Olsen

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Africa Automotive A/S

Opinion

We have audited the Financial Statements of Africa Automotive A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity, cash flows, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2017 and of the results of the Company 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 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 opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such Internal control 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 Responsibility for the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Svendborg, 27 March 2018

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Niels Duedahl
State Authorised Public Accountant
MNE no. mne11644

FINANCIAL HIGHLIGHTS

	2017 TDKK	2016 TDKK	2015 TDKK	2014 TDKK	2013 TDKK
Income statement					
Operating profit/loss.....	2.410	2.609	2.144	15.870	9.751
Financial income and expenses, net.....	-3.037	-374	508	-3.551	-2.701
Profit/loss for the year.....	259	1.589	2.031	9.520	5.222
Balance sheet					
Balance sheet total.....	55.397	61.724	40.710	77.450	60.208
Equity.....	13.252	28.095	29.475	31.194	22.389
Working capital.....	45.519	54.849	27.928	52.438	50.797
Cash flows					
Investment in tangible fixed assets.....	0	0	0	0	0
Average number of full-time employees.....	6	6	6	5	5
Ratios					
Solvency ratio.....	23,9	45,5	72,4	40,3	37,2
Return on equity.....	1,3	5,5	6,7	35,5	26,4
Return on working capital.....	5,3	4,8	7,3	30,3	19,2

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

Solvency ratio:
$$\frac{\text{Equity ex. minorities, at year end} \times 100}{\text{Total equity and liabilities, at year end}}$$

Return on equity:
$$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$$

Return on working capital
$$\frac{\text{Operating profit/loss} \times 100}{\text{Working capital}}$$

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

MANAGEMENT'S REVIEW

Principal activities

The Company is similar to previous years engaged in specialized automotive solutions to Sub-Saharan Africa.

Development in activities and financial position

The Company has continued its normal activities. The result in 2017 reflects, however, two isolated events, which both had a negative effect on the result.

Profit/loss for the year compared to future expectations

The 2017 budget showed an expected profit for the year at TDKK 1.578 compared to the realized profit at TDKK 222.

The result of the year is not close to the budget, which is not satisfactory.

Significant events after the end of the financial year

No events have occurred after the end of the financial year of material importance for the company's financial position.

Special risks

The company has no special risks, besides what is common for the business it operates in.

Environmental situation

The company has no effect on the external environment, besides what is to be expected by an office environment.

Future expectations

Management expects a satisfactory result for the fiscal year 2018.

The company's foreign branches

The company has a subsidiary in USA, Global Automotive Inc.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2017 DKK	2016 DKK
GROSS PROFIT.....		6.558.515	6.251.613
Staff costs.....	1	-3.235.226	-3.186.316
Depreciation, amortisation and impairment.....		-112.279	-88.300
Revaluation of current assets.....		-848.055	-367.141
OPERATING PROFIT.....		2.362.955	2.609.856
Result of equity investments in group and associates.....		750.293	-151.686
Other financial income.....	2	2.845.568	307.883
Other financial expenses.....	3	-5.882.584	-682.880
PROFIT BEFORE TAX.....		76.232	2.083.173
Tax on profit/loss for the year.....	4	146.614	-493.774
PROFIT FOR THE YEAR.....	5	222.846	1.589.399

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2017 DKK	2016 DKK
Other plant, machinery, tools and equipment.....		14.093	126.372
Tangible fixed assets.....	6	14.093	126.372
Equity investments in group enterprises.....		1.519.126	872.028
Fixed asset investments.....	7	1.519.126	872.028
FIXED ASSETS.....		1.533.219	998.400
Finished goods and goods for resale.....		7.275.851	16.085.393
Prepayments.....		6.885.432	9.300.198
Inventories.....	8	14.161.283	25.385.591
Trade receivables.....		15.211.058	19.160.911
Receivables from group enterprises.....		23.512.733	13.577.411
Deferred tax assets.....	9	47.427	0
Other receivables.....		186.029	129.251
Prepayments and accrued income.....	10	738.217	823.448
Receivables.....		39.695.464	33.691.021
Cash and cash equivalents.....		7.675	1.648.990
CURRENT ASSETS.....		53.864.422	60.725.602
ASSETS.....		55.397.641	61.724.002

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2017 DKK	2016 DKK
Share capital.....	11	800.000	800.000
Reserve for revaluation.....		0	984.473
Reserve for net revaluation according to equity va.....		1.306.652	556.359
Retained profit.....		11.108.476	10.754.645
Proposed dividend.....		0	15.000.000
EQUITY.....		13.215.128	28.095.477
Deferred tax assets.....		0	244.387
PROVISION FOR LIABILITIES.....		0	244.387
Bank debt.....		33.855.039	26.262.467
Trade payables.....		4.415.943	4.227.928
Payables to group enterprises.....		421.302	0
Payables to associated enterprises.....		0	3.257
Joint tax contribution payable.....		145.200	599.443
Other liabilities.....		3.167.110	1.852.032
Accruals and deferred income.....		177.919	439.011
Current liabilities.....		42.182.513	33.384.138
LIABILITIES.....		42.182.513	33.384.138
EQUITY AND LIABILITIES.....		55.397.641	61.724.002
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EQUITY

	Share capital	Reserve for revaluation	Reserve for net revaluation according to equity va	Retained profit	Proposed dividend	Total
Equity at 1 January 2017.....	800.000	984.473	556.359	10.754.645	15.000.000	28.095.477
Dividend paid					-15.000.000	-15.000.000
Foreign exchange adjustments.....				-103.195		-103.195
Proposed distribution of profit.....		-984.473	750.293	457.026		222.846
Equity at 31 December 2017.....	800.000	0	1.306.652	11.108.476	0	13.215.128

CASH FLOW STATEMENT 1 JANUARY - 31 DECEMBER

	2017 DKK	2016 DKK
Profit/loss for the year.....	222.846	1.589.399
Reversed depreciation of the year.....	112.279	88.300
Profit/loss from subsidiaries.....	-750.293	151.686
Adjustment of other financial income.....	-2.845.568	-307.883
Adjustment of other financial expenses.....	5.882.584	682.881
Reversed tax on profit/loss for the year.....	-146.614	493.774
Other adjustments.....	-388.397	906.670
Corporation tax paid.....	-599.443	-622.180
Change in inventory.....	10.010.162	-13.886.741
Change in receivables.....	-5.957.016	-12.405.220
Change in current liabilities (ex bank and tax).....	1.660.046	2.743.889
Net paid interest.....	-1.434.473	-814.511
CASH FLOWS FROM OPERATING ACTIVITY.....	5.766.113	-21.379.936
Dividend paid in the financial year.....	-15.000.000	-3.000.000
CASH FLOWS FROM FINANCING ACTIVITY.....	-15.000.000	-3.000.000
CHANGE IN CASH AND CASH EQUIVALENTS.....	-9.233.887	-24.379.936
Cash and cash equivalents at 1. januar.....	-24.613.477	-233.541
CASH AND CASH EQUIVALENTS AT 31. DECEMBER.....	-33.847.364	-24.613.477
Specification of cash and cash equivalents at 31 December:		
Cash and cash equivalents.....	7.675	1.648.990
Bank debt.....	-33.855.039	-26.262.467
CASH AND CASH EQUIVALENTS, NET DEBT.....	-33.847.364	-24.613.477

NOTES

	2017 DKK	2016 DKK	Note
Staff costs			1
Average number of employees 6 (2016: 6)			
Wages and salaries.....	3.187.982	3.114.292	
Other staff costs.....	47.244	72.024	
	3.235.226	3.186.316	
Payroll to management is not disclosed, as only one person in management received remuneration.			
Other financial income			2
Group enterprises.....	693.032	303.322	
Other interest income.....	2.152.536	4.561	
	2.845.568	307.883	
Other financial expenses			3
Other interest expenses.....	5.882.584	682.880	
	5.882.584	682.880	
Tax on profit/loss for the year			4
Calculated tax on taxable income of the year.....	145.200	599.443	
Adjustment of deferred tax.....	-291.814	-105.669	
	-146.614	493.774	
Proposed distribution of profit			5
Proposed dividend for the year.....	0	15.000.000	
Extraordinary dividend.....	0	0	
Allocation to reserve for net revaluation according to equity va.	750.293	-137.125	
.....	0	0	
.....	0	0	
Allocation to other reserves.....	-984.473	0	
Allocation to reserve for strengthening capital base.....	0	0	
.....	0	0	
Accumulated profit.....	457.026	-13.273.476	
Minoritetsinteressernes andel af dattervirksomheders resultat..	0	0	
	222.846	1.589.399	

NOTES

		Note
Tangible fixed assets		6
	Other plant, machinery, tools and equipment	
Cost at 1 January 2017.....	390.892	
Cost at 31 December 2017.....	390.892	
Depreciation and impairment losses at 1 January 2017.....	264.520	
Depreciation for the year.....	112.279	
Depreciation and impairment losses at 31 December 2017.....	376.799	
Carrying amount at 31 December 2017.....	14.093	
Fixed asset investments		7
	Equity investments in group enterprises	
Cost at 1 January 2017.....	315.669	
Cost at 31 December 2017.....	315.669	
Revaluation at 1 January 2017.....	556.359	
Profit/loss for the year.....	750.293	
Revaluation at 31 December 2017.....	1.306.652	
Exchange adjustment.....	103.195	
Impairment losses and amortisation of goodwill at 31 December 2017.....	103.195	
Carrying amount at 31 December 2017.....	1.519.126	
Fixed asset investments (continued)		7
Investments in subsidiaries (DKK)		
Name and registered office	Equity	Profit/loss for the year
Global Automotive Inc., Washington DC, USA...	1.519.126	750.293
		Ownership
		100 %

NOTES

	2017 DKK	2016 DKK	Note
Inventories			8
Finished goods.....	7.275.851	16.085.393	
Prepayments	6.885.432	9.300.198	
	14.161.283	25.385.591	
<p>With reference to paragraph 11 (3) in the Danish Financial Statements Act, the company has derogated from the relations according to paragraph 45 of the Danish Financial Statements Act in which it is provided, that inventories must be measured at cost. The company measures inventories at replacement cost, equivalent to the value in USD at the balance date. The revaluation of inventories to USD exchange rate is recognized in the income statement.</p> <p>The amount is bound via the appropriation of net income in separate reserve (revaluation reserve) under equity.</p> <p>The company is a merchandising-sector company, in which the inventories in all material aspects are purchased in USD and sold in USD. Management considers the replacement cost of the inventories to be the correct accounting value of inventories at the balance sheet date. This is how the actual values, which the company has at its disposal, and the company's future performance potential, are reported.</p> <p>The transaction has had a negative effect on the profit/loss of the year of TDKK 1.214 and equity is effected negatively with TDKK 259 at 31 December 2017.</p>			
Deferred tax assets			9
Provision for deferred tax comprises deferred tax on contract work in progress, inventory and intangible and tangible fixed assets.			
Deferred tax, beginning of year.....	0	-350.056	
Årets udskudte skat i resultatopgørelsen.....	47.427	105.669	
Deferred tax assets 31 December 2017.....	47.427	-244.387	
Prepayments and accrued income			10
Costs.....	738.217	823.448	
	738.217	823.448	
Tekstafsnit			
Share capital			11
Specification of the share capital:			
A-shares, 800 in the denomination of 1.000 DKK.....	800.000	800.000	
	800.000	800.000	

NOTES

	Note
Contingencies etc.	12
Contingent liabilities	
<i>Joint liabilities</i>	
<i>The company is jointly and severally liable together with the parent company and the other group companies in the jointly taxed group for tax on the group's jointly taxed income and for certain possible withholding taxes such as dividend tax and royalty tax, and for the joint registration of VAT.</i>	
<i>Tax payable of the group's jointly taxed income is stated in the annual report of HC Holding II ApS, which serves as management company for the joint taxation.</i>	
Charges and securities	13
There is registered business mortgages to the company's credit institutions for TDKK 20.000.	
The mortgages includes:	
Trade receivables, fixed tangible assets, inventories, cars not registered and rights.	
Related parties	14
<i>The Controlling interest</i>	
Other related parties having performed transactions with the company	
The company's related parties having a significant influence comprise subsidiaries and associates as well as the companies' Board of Directors, Board of Executives and executive officers and their relatives. Related parties include also companies in which the above mentioned group of persons has material interests.	
Transactions with related parties	
The company did not carry out any substantial transactions that were not concluded on market conditions.	
Derivative financial instruments	15
The company carry out derivative financial instruments.	
The instruments comprise of USD hedging to reduce foreign currency risk.	
Consolidated financial statements	16
The company is part of the consolidated financial statement of H.C. Holding II ApS.	

ACCOUNTING POLICIES

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

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

Consolidated financial statements

Consolidated financial statements have not been prepared because the group fulfils the exemption provisions of section 112 of the Danish Financial Statements Act on sub-groups. The company is included in the consolidated financial statements of H.C. Holding II ApS, Christiansmindevej 4, 5700 Svendborg CVR-nr. 38 78 77 80.

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.

Cost of sales

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

Other external expenses

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

Staff costs

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

Investments in associates

The income statement of the owner company recognises the proportional share of the results of each associate after proportional elimination of intercompany profits/losses and deduction of amortisation of goodwill.

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.

BALANCE SHEET

Tangible fixed assets

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

ACCOUNTING POLICIES

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
Other plants, fixtures and equipment.....	5 years	0

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.

Fixed asset investments

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

Investments in 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

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 equipments.

Consolidated goodwill is amortised over the expected useful life determined on the basis of management's experience within the individual lines of business. Consolidated goodwill is amortised on a straight-line basis over the period of amortisation which is estimated to 5 years. The period of amortisation is determined based on an assessment of the acquired company's position in the market and earnings profile, and the industry-specific condition.

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.

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 accounts receivable, 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 associates' deficit.

ACCOUNTING POLICIES

Impairment of fixed assets

The carrying amount of tangible assets 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.

Inventories

Inventories are measured at cost using the FIFO-principle. 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.

ACCOUNTING POLICIES

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 on account tax 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 would 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.

Accruals, liabilities

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

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.