EvoBus Danmark A/S Centervej 3 4600 Køge CVR no. 33 73 88 11

Annual Report 2017

The annual report was presented and adopted at the annual general meeting of the Company on 06.06.2018.

Chairman

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## Statement by the Supervisory Boards and the Executive Board

The Supervisory Board and the Executive Board have today discussed and adopted the annual report of EvoBus Danmark A/S for the financial year 1 January - 31 December 2017.

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

We consider the accounting policies applied to be appropriate. Accordingly, the annual report gives a true and fair view of the Company's assets, liabilities and financial position at 31 December 2017 and of the result of the Company's operations for the financial year 1 January – 31 December 2017.

In our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, of the results for the year and the Company's financial position.

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

Køge, 06.06.2018. Executive Board:

Ergiz Esen

CEO

Mikael Johsson

Supervisory Board:

Roman G W Biondi

Chairman

Marlie I boule Maisel

Poul Bitsch Nielsen

Erik Freddy Madsen

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Björn Frjedich Hauber

## Independent auditor's report

#### To the shareholder of EvoBus Danmnark A/S

#### Opinion

We have audited the financial statements of Evobus Danmark A/S for the financial year 1 January – 31 December 2017 comprising accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's operations 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 rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Management's responsibility for the financial statements

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

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

## Auditor's responsibilities for the audit of the financial statements

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

## Independent auditor's report

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

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

#### Statement on the Management's review

Management is responsible for the Management's review.

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

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

## Independent auditor's report

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

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

Copenhagen, 6 June 2018 **KPMG** 

Krwig

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Amflure Kenn Wolff Hansen

State Authorised Public Accountant

MNE no. 30154

## Management's review

## Company details

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Home page:

www.evobus.dk

Registration no.:

33 73 88 11

Registered office:

Køge

Financial year:

1. janaur - 31. december

#### **Supervisory Board**

Roman Biondi (Chairman) Marlis Ursula Maisel Björn Friedrich Hauber Poul Bitsch Nielsen Erik Freddy Madsen

### **Executive Board**

Ergiz Esen (CEO) Mikael Jonsson

#### **Auditors**

KPMG

Statautoriseret Revisonspartnerselskab Dampfærgevej 28 2100 Copenhagen Ø

Denmark

#### **Consolidated Financial Statements**

The company is included in the consolidated financial statements of Daimler AG, Germany

The consolidated financial statements are available at the parent company's adress or on the website www.daimler.com.

#### **General Meeting**

The annual general meeting is held on 6th of June 2018 at the Company's address.

# **Management's review**

The Company's development in the last five years can be described as follows:

DKK'000	2017	2016	2015	2014	2013
Key Figures					
Revenue	164.374	241.085	228.390	208.728	168.580
Operating profit	3.385	380	6.248	11.637	817
Net Financials	-427	-186	-363	-53	-255
Profit/loss before tax	2.958	7.039	-31.772	11.560	621
Net profit/loss for the year	2.296	5.395	-24.411	8.708	405
Balance sheet total	86.668	144.730	165.668	94.896	53.965
Investments in property, plant and					
equipment	1.693	3.981	4.497	3.658	521
Equity	24.822	22.526	17.131	21.542	12.834
Gross margin	20,2%	13,9%	15,9%	21,1%	18,6%
Solvency ratio	28,7%	15,6%	10,3%	22,7%	23,8%
Average number of full time employee	55	53	52	56	55

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

The key figures and ratios for the years 2013 - 2016 have been changed as the company has changed its accounting policies regarding sale of busses with repurchase commitments. See description under accounting policies.

## Managements's review

#### Principal acctivities of the Company

The Company was acquired by the Mercedes-Benz Group in 1995, and EvoBus Danmark A/S was established as a wholly-owned subsidiary of Mercedes-Benz Danmark A/S.

The principal acctivities of the Company are import, export, repairs, conversion and sale of new and used busses. Moreover, the Company sells spare parts and accessories to busses.

#### Development in the year

The overall volume of new vehicles sold in 2017 was reduced compared to the previous year. The reduction compared to previous year was seen in the interurban segment, the coach segment showed a slight reduction both in terms of volume and marketshare, but was still on a comparative high level. The aftesales business was reduced compared to 2016 in part due to less volumes in the new vehicle segment. The salesvolume for used vehicles increased in 2017, but an increasing pressure on the price levels in the market led to weaker margins in the segment.

#### Outlook

Management of Evobus Danmark A/S is expecting a positive long term development for the business. In 2018 it is likely that sales volume of new vehicle will be improved compared to previous year. The used vehicle segment will be continuously competitive in 2018.

#### Particular risks

#### Financial risks

Funding is raised through a cash pool in Daimler AG. If the expected improvement in both earnings and cash flows is not realised in 2018 the Company is able to draw on the Group's cash pool.

#### Credit risks

In all material respects, the Company's credit risks relate to garage customers. The Company is not subject to any significant risks in relation to individual customers. The Company's policy for assuming credit risks entails that credit ratings of all customers are made on an ongoing basis. The Company's finance system has an embedded credit rating system, in which customers are rated on a regular basis based on historical data.

## Managements's review

## **Environmental issues**

#### Impact on the external environment

In order to control environmental issues, the Company has prepared an environmental policy including an objective. The policy is based on environmentally sound operations and forms a natural part of the Daimler Group's objective to handle natural resources and energy as carefully as possible and to apply the best technology available in order to minimise any environmental impact.

### **Accounting policies**

The annual report of EvoBus Danmark A/S for 2017 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

#### Changes to accounting policies

The Company has changed its accounting policies regarding sale of busses with repurchase commitments so they align with the new policies in IFRS 15. Under IFRS 15, such vehicle sales can be considered as a sale upon delivery, but with a possible obligation for Company in case the customer uses the possibility to return the busses in future due to the residual-value guarantee given.

Where a right to return exists, IFRS 15 requires sales revenue to be reduced to reflect the expected value of returns using the rules relating to variable consideration. Instead of recognising revenue for these expected returns, a refund liability is recognised as "Prepayments received from customers". The cost price of items expected to be returned are also excluded from cost of sales and instead recognised as inventory, adjusted for any potential impairment or restocking costs. In subsequent periods, the Company updates expected levels of returns, adjusting the measurement of the refund liability and the associated inventory asset.

In previous years sales with a repurchase commitment were classified as operating leases. The income was recognised on a straight line basis over the period from the initial sale until the date of the agreed repurchase. The busses were included in the Company's non-current assets and were depreciated to residual value.

The changes in accounting policies were made in order to give a more true and fair view of the Company's activities, results and financial position.

The changes have had the following impact on the financial statements:

DKK'000	2017	2016
Effect on:		
Profit for the year	-373	5.048
Total assets	-44.704	-40.105
Equity	6.025	6.398

The comparative figures have been restated to reflect the changed accounting policies.

Apart from the above, the accounting policies used in the preparation of the financial statements are consistent with those of last year.

#### **Income statement**

#### Omission of cash flow statement

Pursuant to section 86 (4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Daimler AG.

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statements as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income satements as financial income or financial expenses.

#### Revenue

Revenue is recognised in the income statement when transfer of the most significant reward and risks to the buyer has taken place and provided that the income can be reliably measured and payments is expected to be received. Revenue is measured at fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are deducted in revenue.

In case of sales with repurchase commitments the sales revenue are to reflect the expected value of returns using the rules relating to variable consideration. Consequently revenue is reduced by the expected amount of future returns for contracts entered with repurchase commitments.

In subsequent periods, the Company updates its expected levels of returns, adjusting the measurement of the refund liability and thereby revenue.

Sale of busses with repurchase commitments not fulfilling the requirements for a 'sale with right of return' is classified as operating leases as the residual value entails a not insignificant risk for the Company. The busses are included in the Company's non-current assets and are depreciated to residual value on a straight-line basis.

Payments from customers which represent rent payments in accordance with operating leases and other lease agreements are recognised in the income statement on a straight-line basis over the term of the agreement so that the repurchase value remains at the expiry of the agreement.

### **Accounting policies**

#### Balance sheet

#### **Production costs**

Production costs comprise costs, including depreciation and amortisation and salaries, incurred in generating the revenue for the year.

#### **Distribution costs**

Costs incurred in distributing goods sold during the year and in conducting sales campaigns, etc., during the year are recognised as distribution costs. Also, costs relating to sales staff, advertising, exhibitions and depreciation are recognised as distribution costs.

#### Administrative expenses

Administrative expenses comprise expenses incurred during the year for company management and administration, including expenses for administrative staff, management, office premises, office expenses and depreciation.

#### Other operating income and costs

Other operating income and costs comprise income and costs secondary to the Company's primary operation.

#### Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities.

### Tax on profit for the year

Mercedes-Benz Danmark A/S, CVR no. 14 81 51 98, is the administrative company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

The current Danish corporation tax is allocated by settlement of joint taxation contributions between the jointly tased companies in proprotion to their taxable income. In this relation, companies with tax loss carryforwards receive joint taxation contributions from companies that have used these losses to reduce their own taxable profits.

Tax for the year comprises joint taxation contributions for the year and changes in deferred tax for the year. The tax expense relation to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

## **Accounting policies**

#### Balance sheet

#### Property, plant and epuipment

Land and buildings, and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The basis of depreciation is calculated as cost less any residual value at the end of the expected useful life. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the asquisition until the date when the asset is available for use.

Depreciation is made on a straight-line basis over the expected useful life. The expected useful lives are as follows:

**Buildings** 

20-50 years

Fixtures and fittings, tools and equipment

3 - 8 years

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

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

Property, plant and equipment are written down to the recoverable amount if this is lower than the carrying amount. Annual impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income and other operating costs, respectively.

#### **Inventories**

Spare parts as well as new as new used busses are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, write-down is made to this lower value.

Goods for resale are measured at cost, comprising purchase price plus delivery costs.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

### **Accounting policies**

#### Balance sheet

#### Receivables

Receivables are measured at amortised cost. Write-down is made for bad debt losses.

### Cash pooling agreement

The Company's cash pooling agreement is recognised as amounts owed by group enterprises or amounts owed to group enterprises as the overall financial commitment with the bank rests with Daimler AG.

#### **Prepayments**

Prepayments comprise costs incurred concerning subsequent financial years.

#### **Equity**

#### Dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the

#### **Provisions**

Provisions comprise anticipated costs related to warranties, etc. Provisions are recognised when, as a result of past events, the Company has a legal or constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation.

Provisions are measured at net realisable value. If the obligation i expected to be settled far into the future, the obligation is measured at fair value.

#### Liabilities other than provisions

Other liabilities are measured at amortised cost normally equalling net realisable value.

#### Corporation tax deferred tax

In accordance with the joint taxation rules, EvoBus Danmark A/S liability to the Danish tax authorities is settled when the Company pays its joint taxation contributions to the administrative company.

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

#### Accounting policies

#### Corporation tax deferred tax

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to other items where temporary differences arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where different tax rules can be applied to determine the tax base, deferred tax is measured based on Management's planned use of the asset or settlement of the liability, respectively.

#### Financial highlights overview

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation, either as set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction

Deferred tax is measured in accordance with the tax rules and at the tax rate at the balance sheet date when the deferred tax is expected to crystallise as current tax.

#### Deferred income

Deferred income comprises payments received concerning income in subsequents years.

Financial highlights are calculated as follows:

Gross margin

Gross profit x 100 / Revenue

Solvency ratio

Equity at year end x 100 / Total assets

**Income statement** 2016 Note 2017 DKK'000 241.085 164.374 Revenue 1, 6 -131.128 -207.541 Production costs 33.543 33.246 Gross profit -4.186 -4.424 Distribution costs 1,6 -28.740 1, 6 -25.675 Administrative expenses 3.385 380 Operating profit 6.845 2 Other operating income 7.225 3.385 Profit before financial income and expenses 280 0 Financial income -427 -466 3 Financial expenses 7.039 2.958 Profit before tax -662 -1.644 4 Tax on profit for the year 5.395 5 2.296 Profit for the year

Balance Sheet DKK'000	Note	2017	2016
Assets			
Non-current assets			
Land and buildings		5.595	5.999
Fixtures and fittings, tools and equipment		16.523	18.359
Property, plant and equipment	6	22.118	24.358
Non-current assets		22.118	24.358
Current assets			
Finished goods and goods for resale		34.925	31.400
Inventories		34.925	31.400
Trade receivables		25,968	67.935
Receivables from group companies		1.710	17.672
Deferred tax assets		1.349	1.302
Prepayments		598	2.063
Receivables		29.625	88.971
Total current assets		64.550	120.371
Total assets		86.668	144.730

Balance Sheet DKK'000	Note	2017	2016
Equity and liabilities			
Share capital Retained earnings	7	11.900 12.922 24.822	11.900 10.626 22.526
Total equity			
Other provisions	8	425	1.076
Total provisions		425	1.076
Prepayments received from customers		15.546	18.883
Trade payables		2.342	2.306
Payables to group enterprises		19.532	68.680
Other payables		18.469	27.778
Deferred income		5.532	3.482
		61.421	121.128
Total liabilities other than provisions		61.421	121.128
Total equity and liabilities		86.668	144.730
Contractual obligations and contingencies, etc. Related parties and ownerships	9 10		

# Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 January 2017	11.900	4.228	16.128
Effect of change in policy	0	6.398	6.398
Profit of the year	0	2.296	2.296
Equity at 31 December 2017	11.900	12.922	24.822

### Notes

DKK'000		2017	2016
1 Staff Costs			
Wages and sala	uries	25.985	28.497
Pensions		2.649	2.216
Other social sec	curity costs	491	555
		29.125	31.268
Production cost	recognised as follows in the final	14.831	13.559
Distribution co:	sts	515	1.143
Administrative	expenses	13.779	16.565
		29.125	31.268
Average number	er of employee	55	53

Remuneration to the Executive Board is invoiced to EvoBus Danmark A/S, based on estimated time spent managing the Company, as management fee and amounts DKK 2,065 thousand (2016: DKK 1,842 thousand) which is included in administrative expenses.

#### 2 Other operating income and costs

In 2015 the Company was exposed to fraud, which led to a significant loss for the Company. Part of the loss was recovered in 2016 and was included in the financial statements as part of other operating income.

		2017	2016
3	Financial expenses Interest expense, group enterprises Other financial expenses and foreign exchanges loss	312 115	432 34
	Office inflancial expenses and foreign exchanges loss	427	466
4	Tax on profit for the year		
	Current tax for the year	313	311
	Adjustments of deferred tax	349	1.333
		662	1.644
5	Proposed distribution of profit		
	Retained earnings	2.296	5.395
		2,296	5.395

#### Notes

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Property, plant and equipment		Other fixtures and fittings,	
DKK'000	Land and buildings	tools and equipment	Total
Cost at 1 January 2017	14.515	79.867	94.382
Effect of change in policy		-40.725	-40.725
Additions for the year	98	1.595	1.693
Disposals for the year	0	-294	-294
Cost at 31 December 2017	14.613	40.442	55.056
Depreciation at 1 January 2017	-8.516	-21.416	-29.933
Effect of change in policy		634	634
Depreciation of the year	-502	-3.432	-3.934
Reversal for depreciation of sold assets	0	294	294
Depriciation at 31 December 2017	-9.018	-23.920	-32.938
Carrying amount at 31 December 2017	5.595	16.523	22.118
Depreciated over	20-50 years	3-8 years	

Property, plant and equipment include finance leases (busses with repurchase commitments) at a carrying amount totalling DKK 13.154 thousand (2016: DKK 15.599). Finance leases (busses with repurchase commitments) are depreciated over 8 years.

The depreciations of property, plant and equipment are included in

		2017	2016
	Production costs	525	299
	Distribution costs	1	1
	Administrative expenses	3.408	780
		3.934	1.081
	DKK'000		
			2017
7	Share capital		
	The share capital is specified as follows:		
	11.820 shares of nom. a 1.000 kr.		11.820
	12 shares of nom. a 5.000 kr.		60
	20 shares of nom. a 1.000 kr.		20
			11.900

No shares carry special rights. There have been no movements in the share capital over the last five years.

#### **Notes**

		2017	2016
8	Other provisions		
	Balance at 1 January 2017	1.076	670
	Reversed in year	-1.076	-658
	Addition in year	425	1.064
	Balance at 31 December 2017	425	1.076
	The expected due dates of other provisions are:		
	Within one year	425	1.076
		425	1.076
9	Contractual obligations and contingencies, ect.		
	Non-cancellable rental lease obligations:		
	0-1 years	3.462	3.538
	1-5 years	13.001	12.775
	> 5 years	3.097	6.020
		19.560	22.333

#### Other contingent liabilities

The Company is jointly taxed with other Danish companies in the Daimler Group. Together with the other companies in the joint taxation, the Company has unlimited joint and several liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties within the joint taxation.

### 10 Related parties and ownership

EvoBus Danmark A/S related parties comprise group companies of the Daimler AG Group in Stuttgart, Germany.

#### Other related parties

Ind addition to the above, the Company's related parties comprise the Supervisory Board, the Excutive Board and management employees as well as the family mermbers of these individuals. Related parties also include enterprises in which the above group of people has a significant interest.

As the Company is part of the daimler Group, the Company carries out a considerable number of related party transactions.

The company has chosen not to disclose transactions with related parties as these are carried out on an arm's lenght basis.