Car Parts Industries ApS

Bergsøesvej 12, DK-8600 Silkeborg

Annual Report for 1 July 2015 - 30 June 2016

CVR No 34 08 27 31

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 24/10 2016

Carsten Kristoffersen
Chairman

pwc

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Car Parts Industries ApS for the financial year 1 July 2015 - 30 June 2016.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 30 June 2016 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2015/16.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Silkeborg, 24 October 2016

Direktion

Søren Toft-Jensen

Bestyrelse

Søren Klarskov Vilby
Chairman

Carsten Bäcker

Carsten Wenzel

Søren Toft-Jensen

pwc

Independent Auditor's Report on the Financial Statements and the Consolidated Financial Statements

To the Shareholders of Car Parts Industries ApS

Report on the Financial Statements and the Consolidated Financial Statements

We have audited the Financial Statements and the Consolidated Financial Statements of Car Parts Industries ApS for the financial year 1 July 2015 - 30 June 2016, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement, notes and summary of significant accounting policies. The Financial Statements and the Consolidated Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility for the Financial Statements and the Consolidated Financial Statements

Management is responsible for the preparation of Financial Statements and the Consolidated 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 and Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Statements and the Consolidated Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements and the Consolidated Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements and the Consolidated Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements and the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements and Consolidated Financial Statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements and the Consolidated Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Independent Auditor's Report on the Financial Statements and the Consolidated Financial Statements

Opinion

In our opinion, the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position of the Company and the Group at 30 June 2016 and of the results of the Company and the Group operations and of consolidated cash flows for the financial year 1 July 2015 - 30 June 2016 in accordance with the Danish Financial Statements Act.

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements and the Consolidated Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements and the Consolidated Financial Statements.

Herning, 24 October 2016
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Henrik Skjøtt Sørensen
statsautoriseret revisor

Henning Jæger Neldeberg
statsautoriseret revisor

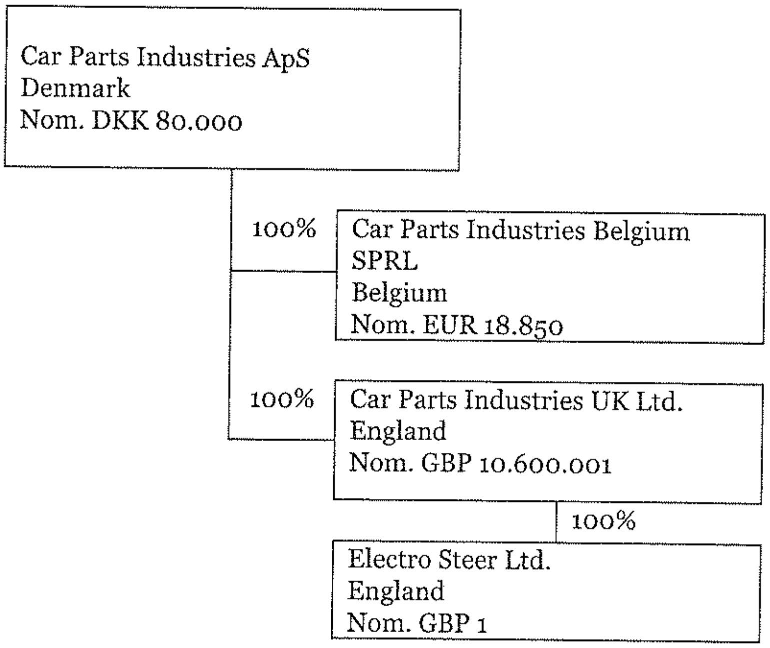
Company Information

The Company	Car Parts Industries ApS Bergsøesvej 12 DK-8600 Silkeborg CVR No: 34 08 27 31 Financial period: 1 July - 30 June Municipality of reg. office: Silkeborg
Board of Directors	Søren Klarskov Vilby, Chairman Carsten Bücker Carsten Wengel Søren Toft-Jensen
Executive Board	Søren Toft-Jensen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Platanvej 4 Postboks 399 DK-7400 Herning
Lawyers	Focus advokater Englandsvej 25 5100 Odense
Bankers	Sydbank Søndergade 25 8600 Silkeborg

Group Chart

Parent Company

Subsidiaries



Financial Highlights

Seen over a five-year period, the development of the Group is described by the following financial highlights:

	Group				
	2015/16	2014/15	2013/14	2012/13	2011/12
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	148.878	151.829	137.683	103.932	52.440
Gross profit/loss	44.094	-1.434	43.575	24.789	24.282
Profit/loss before financial income and expenses	4.061	-64.915	-17.522	-3.528	810
Net financials	-5.759	-5.606	-879	-3.879	-810
Net profit/loss for the year	25.986	-70.656	-18.156	-6.800	388
Balance sheet					
Balance sheet total	145.154	151.001	147.396	124.902	125.183
Equity	34.577	-57.854	9.868	5.849	1.431
Cash flows					
Cash flows from:					
- operating activities	44.204	-42.467	-30.917	-45.898	-5.331
- investing activities	100	-1.214	-1.088	-2.291	-22.159
including investment in property, plant and equipment	-511	-1.143	-1.088	-2.062	-1.160
- financing activities	42.690	472	2.023	40.285	21.628
Change in cash and cash equivalents for the year	86.994	-43.209	-29.982	-7.904	-5.862
Number of employees	130	286	299	245	236
Ratios					
Gross margin	29,6%	-0,9%	31,6%	23,9%	46,3%
Return on assets	2,8%	-43,0%	-11,9%	-2,8%	0,6%
Solvency ratio	23,8%	-38,3%	6,7%	4,7%	1,1%
Return on equity	-223,3%	294,5%	-231,0%	-186,8%	54,2%

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.

Management's Review

Main activity

The Company is engaged in international automotive spare parts trading as well as remanufacturing of Steering Colums, Steering Pumps and EGR Valves.

Development in the year

The Company showed a profit after tax for the year of mDKK 26.0 against a loss of mDKK 70.7 last year. The result for the year is considered satisfactory.

As a result of the positive result for 2015/16 and in the coming year budgets in subsidiaries the group has recognized a deferred tax asset of mDKK 26.3.

The management is satisfied with an unchanged top line compared to past year. This is in the light of a changed organizational structure and an adaption of cost. The Group has a strong platform for meeting the growth experienced among the Company's customers:

- The UK company has a strong position within mechatronics that combines mechanical and electrical engineering in electric steering systems. The Company is investing mDKK 1.6 annually in development and reverse engineering of electric steering systems, which in the future will replace the hydraulic technology. The activities of the Belgium company are now focused on commercialization of EGR Valves which is a new and promising product category showing a strong growth. EGR Valves are now fitted to all petrol and Diesel vehicles.

The equity at the year amounts to mDKK 34.6 which is an improvement of mDKK 92.5 compared to last year. There has in the year been an increase in capital of 65.0 mDKK.

Special risks - operating risks and financial risks

Operating risks

The Company does not have any special operating risks. The Company is operating in a trading area with low cyclicality and a broad and loyal customer base. The customers are primarily domiciled in Western Europe but are distributed on many countries.

Risks relating to raw material and energy prices

The Group has no material risks relating to raw material or energy prices. The Group continuously purchases considerable volumes of cores, the price of which may fluctuate considerably but is only to a limited extent correlated to metal prices.

Management's Review

Foreign exchange risks

Due to the Group's foreign activities, result of operations, cash flows and equity are affected by the exchange developments in a number of currencies, including substantially the movement in the GBP/DKK rate. No speculative exchange transactions are made.

As a main rule, exchange risks relating to investments in foreign subsidiaries are not hedged as, in the Group's opinion, current hedging of such long term investments will not be optimal from an overall risk and cost perspective.

Interest rate risks

It is the Group's assessment that even considerable interest rate changes will not affect earnings materially.

Credit risks

The Group charges a deposit for cores. The Group has a repayment obligation in respect of deposits received from customers conditional on and at the same rate as customer return of cores. There is in the annual accounts made provisions of mDKK 39.8 for that. The return of cores from customers does not follow any specific pattern and does not necessarily coincide with the charging of deposit for new sales. This implies that the Group may experience considerable liquidity fluctuations from one period to the next. The Group mitigates this liquidity risk by agreeing, in respect of the majority of the credit facilities, on a certain period of notice.

The Group has no material risks relating to individual customers or business partners. Under the Company's policy for assumption of credit risks, all major customers are currently credit rated and, where appropriate, insured against losses. The company has over the past years only realized very limited losses on reveivables.

Strategy and objectives

Strategy

The Company pursues organic growth with high customer and staff satisfaction. This goal will be achieved through continuous improvement of the Company's product programme, delivery performance and service. The growth should be profitable with a positive cash flow.

Management's Review

Targets and expectations for the year ahead

In the year ahead, the Company expects to see a continued increasing level of activity and an improvement of the profit before tax from mDKK -1.7 to a profit level of mDKK 15-25 in the coming year. This expectation is based on the restructuring completed in the current financial year.

This expectation is supported by an improved positive development in the first months of the new financial year.

Basis of earnings

Research and development

The Company has no research activities as such, but continuously develops new methods, products and customer directed services. New cars increasingly contain components combining mechanical and electric engineering, called Mechatronics. Here the company invests annually mDKK 2.0 together with the Polish sister company Borg Automotive Zdunska Wola. An increasing number of the Company's new products are within this area.

Statutory statement of corporate social responsibility

The Company is aware of its corporate social responsibility and has established policies for climate and environmental impacts, human rights, working environment, light jobs, health and disease.

Environment and climate

The Company includes as part of the corporate social responsibility both the supplier and customer in improving the climate conditions and developing these to maintain the reduction of CO_2 emission and reducing material consumption.

Compared to production of original automotive parts remanufacturing is supportive of sustainability by decreasing CO_2 emission by up to 80% and material consumption is reduced by up to 90%. Remanufacturing consequently belongs to the circular economy where resources are recycled and in contrast to the linear economy where resources are consumed. Being part of the global recycling industry it is natural for the Company to have focus on continuous optimisation of resource and energy consumption which supports the Company's green profile.

Human rights and health and safety

For Car Parts Industries human rights is primarily about the Company's own employees and their relationships and health.

As part of the corporate social responsibility the Company have today employees that are physically and mentally challenged who are doing a meaningful job. The company policies includes the employee's safety and working conditions as well as the employee's family.

Management's Review

Also in 2015/16, efforts have been focused on improving employee safety and working conditions, and the number of employees with physical and mental disabilities are maintained.

Share of the underrepresented gender

It is the board of directors' objective that the share of female members of the management of the Company shall constitute a minimum of 10% no later than in 2017. The female share constitutes 0% in the current year. The objective of a 10% share is consequently not reached in the current financial year, as the General Assembly based on an assessment of the candidates qualifications only chose men to the board.

It is the policy of the board that it is ideal to obtain an equal distribution of candidates between both sexes when a person for leading position is to be recruited.

It is furthermore the policy of the board of directors that the share of the female representation in additional management levels is increased in order to obtain a more equal distribution between the sexes. By the end of fiscal year 2015/16 the female representation was more than 20% of the additional management level. The proportion of women at other levels of management are sought increased by ensuring that advertising for new employees appeal to both male and female candidates.

There has in the fiscal year 2015/16 been changes on a few leading positions. As the selection is based on competences, the new recruitment has not changed the distribution between the sexes.

Knowledge resources

It is essential to the continued growth of the group to retain and develop employees, thus important resources are allocated to this.

To ensure competitiveness and efficiency investments in technology development is continually undertaken along with competence development.

Subsequent events

No events materially affecting the Consolidated Financial Statements for 2015/16 have occurred after year end.

Income Statement 1 July - 30 June

	Note	Group 2015/16 TDKK	Group 2014/15 TDKK	Parent Company 2015/16 TDKK	Parent Company 2014/15 TDKK
Revenue	1	**148.878**	**151.829**	**259**	**827**
Expenses for raw materials and consumables		-96.920	-136.959	0	0
Other external expenses		-7.864	-16.304	-337	-315
Gross profit/loss		**44.094**	**-1.434**	**-78**	**512**
Staff expenses	2	-38.387	-61.471	-782	-802
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-1.646	-2.010	0	0
Profit/loss before financial income and expenses		**4.061**	**-64.915**	**-860**	**-290**
Income from investments in subsidiaries		0	0	30.873	-69.512
Financial income	4	11.323	8.035	10.851	10.553
Financial expenses	5	-17.082	-13.641	-16.262	-11.272
Profit/loss before tax		**-1.698**	**-70.521**	**24.602**	**-70.521**
Tax on profit/loss for the year	6	27.684	-135	1.384	-135
Net profit/loss for the year		**25.986**	**-70.656**	**25.986**	**-70.656**

Distribution of profit

	Parent Company	
	2015/16	2014/15
	TDKK	TDKK
Proposed distribution of profit		
Reserve for net revaluation under the equity method	4.573	-69.512
Retained earnings	21.413	-1.144
	25.986	**-70.656**

Balance Sheet 30 June

Assets

	Note	Group 2016 TDKK	Group 2015 TDKK	Parent Company 2016 TDKK	Parent Company 2015 TDKK
Acquired patents		733	918	0	0
Goodwill		1.393	1.845	0	0
Intangible assets	7	**2.126**	**2.763**	**0**	**0**
Other fixtures and fittings, tools and equipment		2.942	4.128	0	0
Property, plant and equipment	8	**2.942**	**4.128**	**0**	**0**
Investments in subsidiaries	9	0	0	42.720	0
Fixed asset investments		**0**	**0**	**42.720**	**0**
Fixed assets		**5.068**	**6.891**	**42.720**	**0**
Inventories	10	**44.446**	**34.871**	**0**	**0**
Trade receivables		29.568	53.539	0	0
Receivables from group enterprises		25.055	42.716	44.277	49.516
Other receivables		4.352	12.372	0	0
Deferred tax asset	12	26.300	0	0	0
Corporation tax		1.380	233	1.380	233
Receivables		**86.655**	**108.860**	**45.657**	**49.749**
Cash at bank and in hand		**8.985**	**379**	**0**	**0**
Currents assets		**140.086**	**144.110**	**45.657**	**49.749**
Assets		**145.154**	**151.001**	**88.377**	**49.749**

Balance Sheet 30 June

Liabilities and equity

	Note	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
		TDKK	TDKK	TDKK	TDKK
Share capital		80	80	80	80
Retained earnings		34.497	-57.934	34.497	-57.934
Equity	11	**34.577**	**-57.854**	**34.577**	**-57.854**
Other provisions	13	41.081	46.956	0	0
Provisions		**41.081**	**46.956**	**0**	**0**
Payables to group enterprises		0	22.310	0	22.310
Long-term debt	14	**0**	**22.310**	**0**	**22.310**
Credit institutions		4.041	82.429	2.867	80.521
Trade payables		22.554	21.126	20	27
Payables to group enterprises	14	39.566	26.430	50.643	4.356
Other payables		3.335	9.604	270	389
Short-term debt		**69.496**	**139.589**	**53.800**	**85.293**
Debt		**69.496**	**161.899**	**53.800**	**107.603**
Liabilities and equity		**145.154**	**151.001**	**88.377**	**49.749**

Contingent assets, liabilities and other financial obligations	15
Ownership	16

Statement of Changes in Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 July	80	0	-57.934	-57.854
Cash capital increase	0	0	65.000	65.000
Exchange adjustments relating to foreign entities	0	0	1.445	1.445
Net profit/loss for the year	0	0	25.986	25.986
Equity at 30 June	**80**	**0**	**34.497**	**34.577**

Parent Company

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
Equity at 1 July	80	0	-57.934	-57.854
Cash capital increase	0	0	65.000	65.000
Exchange adjustments relating to foreign entities	0	1.445	0	1.445
Transfers, reserves	0	-6.018	6.018	0
Net profit/loss for the year	0	4.573	21.413	25.986
Equity at 30 June	**80**	**0**	**34.497**	**34.577**

Cash Flow Statement 1 July - 30 June

	Note	Group 2015/16 TDKK	Group 2014/15 TDKK
Net profit/loss for the year		25.986	-70.656
Adjustments	17	-18.759	9.645
Change in working capital	18	42.497	23.905
Cash flows from operating activities before financial income and expenses		**49.724**	**-37.106**
Financial income		11.323	8.035
Financial expenses		-17.082	-13.641
Cash flows from ordinary activities		**43.965**	**-42.712**
Corporation tax paid		239	245
Cash flows from operating activities		**44.204**	**-42.467**
Purchase of intangible assets		0	-918
Purchase of property, plant and equipment		-511	-1.143
Sale of property, plant and equipment		611	847
Cash flows from investing activities		**100**	**-1.214**
Repayment of loans from credit institutions		-22.310	0
Raising of loans from group enterprises		0	472
Cash capital increase		65.000	0
Cash flows from financing activities		**42.690**	**472**
Change in cash and cash equivalents		**86.994**	**-43.209**
Cash and cash equivalents at 1 July		-82.050	-38.841
Cash and cash equivalents at 30 June		**4.944**	**-82.050**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		8.985	379
Overdraft facility		-4.041	-82.429
Cash and cash equivalents at 30 June		**4.944**	**-82.050**

Notes to the Financial Statements

	Group		Parent Company	
	2015/16	2014/15	2015/16	2014/15
	TDKK	TDKK	TDKK	TDKK
1 Revenue				
Geographical segments				
Revenue, Denmark	259	827	259	827
Revenue, exports	148.619	151.002	0	0
	148.878	**151.829**	**259**	**827**
2 Staff expenses				
Wages and salaries	33.119	53.394	709	730
Pensions	691	988	67	66
Other staff expenses	4.577	7.089	6	6
	38.387	**61.471**	**782**	**802**
Average number of employees	**130**	**286**	**1**	**1**

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

Notes to the Financial Statements

	Group		Parent Company	
	2015/16	2014/15	2015/16	2014/15
	TDKK	TDKK	TDKK	TDKK
3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment				
Amortisation of intangible assets	211	291	0	0
Depreciation of property, plant and equipment	1.435	1.719	0	0
	1.646	**2.010**	**0**	**0**
4 Financial income				
Interest received from group enterprises	56	1.175	1.959	1.916
Other financial income	4	0	0	88
Exchange gains	11.263	6.860	8.892	8.549
	11.323	**8.035**	**10.851**	**10.553**
5 Financial expenses				
Interest paid to group enterprises	188	1.543	493	95
Other financial expenses	2.088	3.132	991	2.292
Exchange loss	14.806	8.966	14.778	8.885
	17.082	**13.641**	**16.262**	**11.272**

Notes to the Financial Statements

6 Tax on profit/loss for the year

	Group		Parent Company	
	2015/16	2014/15	2015/16	2014/15
	TDKK	TDKK	TDKK	TDKK
Current tax for the year	-1.380	-233	-1.380	-233
Deferred tax for the year	-26.300	0	0	0
Adjustment of tax concerning previous years	-4	368	-4	368
	-27.684	**135**	**-1.384**	**135**

7 Intangible assets

Group

	Acquired patents	Goodwill
	TDKK	TDKK
Cost at 1 July	918	2.731
Exchange adjustment	-2	-377
Cost at 30 June	916	2.354
Impairment losses and amortisation at 1 July	0	886
Exchange adjustment	0	-128
Amortisation for the year	183	203
Impairment losses and amortisation at 30 June	183	961
Carrying amount at 30 June	**733**	**1.393**

Notes to the Financial Statements

8 Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment
	TDKK
Cost at 1 July	11.921
Exchange adjustment	-1.128
Additions for the year	511
Disposals for the year	-437
Cost at 30 June	10.867
Impairment losses and depreciation at 1 July	7.793
Exchange adjustment	-602
Depreciation for the year	1.142
Reversal of impairment and depreciation of sold assets	-408
Impairment losses and depreciation at 30 June	7.925
Carrying amount at 30 June	**2.942**
Including assets under finance leases amounting to	913

Notes to the Financial Statements

9 Investments in subsidiaries

	Parent Company 2016 TDKK	Parent Company 2015 TDKK
Cost at 1 July	49.136	35.123
Additions for the year	39.800	14.013
Cost at 30 June	88.936	49.136
Value adjustments at 1 July	-85.029	-18.451
Exchange adjustment	1.445	2.934
Net profit/loss for the year	30.873	-69.512
Value adjustments at 30 June	-52.711	-85.029
Equity investments with negative net asset value amortised over receivables	6.495	35.893
Carrying amount at 30 June	**42.720**	**0**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Car Parts Industries UK Ltd.	England	TGBP 10.600	100%
Car Parts Industries Belgium SPRL	Belgium	TEUR 19	100%

Notes to the Financial Statements

	Group		Parent Company	
	2016	2015	2016	2015
	TDKK	TDKK	TDKK	TDKK
10 Inventories				
Raw materials and consumables	13.240	19.753	0	0
Work in progress	2.328	4.459	0	0
Finished goods and goods for resale	28.878	10.659	0	0
	44.446	**34.871**	**0**	**0**

11 Equity

The share capital consists of 0 shares of a nominal value of TDKK 1 or multiples thereof. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

	Group		Parent Company	
	2016	2015	2016	2015
	TDKK	TDKK	TDKK	TDKK
12 Provision for deferred tax				
Tax loss carry-forward	-26.300	0	0	0
Transferred to deferred tax asset	26.300	0	0	0
	0	**0**	**0**	**0**
Deferred tax asset				
Calculated tax asset	26.300	0	0	0
Carrying amount	**26.300**	**0**	**0**	**0**
13 Other provisions				
Deposit obligations	39.803	45.271	0	0
Warranty provisions	687	876	0	0
Other provisions	591	809	0	0
	41.081	**46.956**	**0**	**0**

Notes to the Financial Statements

14 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group		Parent Company	
	2016	2015	2016	2015
	TDKK	TDKK	TDKK	TDKK
Payables to group enterprises				
Between 1 and 5 years	0	22.310	0	22.310
Long-term part	0	22.310	0	22.310
Other short-term debt to group enterprises	39.566	26.430	50.643	4.356
	39.566	**48.740**	**50.643**	**26.666**

15 Contingent assets, liabilities and other financial obligations

Rental agreements and leases

The group has entered into leases with an interminable period of up to 12 months. The total commitment under non-cancellable period is DKK 15 million.

Contingent liabilities

The Group has a repayment obligation in respect of deposits received from customers conditional on and at the same rate as customer return of cores. The total repayment obligation amounts to DKK 91.1 million including provisions in the balance sheet of DKK 39.8 million.

The Danish group companies are jointly and severally liable for tax on the Group's jointly taxed income.

As a security for the groups engagement with banks, the company have given cross gurantee towards Danish companies in the Borg Automotive A/S group.

Notes to the Financial Statements

16 Ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Auto Akku ApS, Silkeborg

17 Cash flow statement - adjustments

	Group 2015/16 TDKK	Group 2014/15 TDKK
Financial income	-11.323	-8.035
Financial expenses	17.082	13.641
Depreciation, amortisation and impairment losses, including losses and gains on sales	1.646	2.010
Tax on profit/loss for the year	-27.684	135
Other adjustments	1.520	1.894
	-18.759	**9.645**

18 Cash flow statement - change in working capital

	Group 2015/16 TDKK	Group 2014/15 TDKK
Change in inventories	-9.575	50.343
Change in receivables	49.652	-55.304
Change in other provisions	-5.875	10.797
Change in trade payables, etc	8.295	18.069
	42.497	**23.905**

Accounting Policies

Basis of Preparation

The Annual Report of Car Parts Industries ApS for 2015/16 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

Consolidated and Parent Company Financial Statements for 2015/16 are presented in TDKK.

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.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Car Parts Industries ApS, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Business combinations

Acquisitions

On acquisition of subsidiaries, the difference between cost and net asset value of the enterprise acquired is determined at the date of acquisition after the individual assets and liabilities having been adjusted to fair value (the purchase method). Cost comprises the fair value of the consideration paid as well as expenses for consultants etc directly related to the acquisition. Any remaining positive differences are recognised in intangible assets in the balance sheet as goodwill, which is amortised in the income statement on a straightline basis over its estimated useful life. Any remaining negative differences are recognised in deferred income in the balance sheet as negative goodwill. Amounts attributable to expected losses or expenses are recognised as income in the income statement as the affairs and conditions to which the amounts relate materialise. Negative goodwill not related to expected losses or expenses is recognised at an amount equal to the fair value of non-monetary assets in the income statement over the average useful life of the non-monetary assets.

Positive and negative differences from enterprises acquired may, due to changes to the recognition and measurement of net assets, be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made. Moreover, any change in contingent consideration is adjusted in the value of goodwill or negative goodwill.

Amortisation of goodwill is recognised in "Amortisation, depreciation and impairment losses".

Leases

Leases in terms of which the Group 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 Group.

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.

Accounting Policies

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

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.

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 statements of foreign subsidiaries and associates that are separate legal entities are translated at transaction date rates or approximated average axchanfe rates. Balance sheet items are translated at the exchange rates at the balance sheet date.
Exchange adjustments arising on the translation of the opening equity and exchange adjustments arising from the translation of the income statements at the exchange rates at the balance sheet date are recognised directly in equity.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Revenue

Information on business segments and geographical segments based on the Group´s risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income Statement

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 Group.

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.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

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

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Accounting Policies

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 5 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 when the asset is ready for use.

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:

Buildings	30 years
Other fixtures and fittings, tools and equipment	3-5 years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 12,900 are expensed in the year of acquisition.

Accounting Policies

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.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item"Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of any remaining value of positive differences (goodwill) and deduction of any remaining value of negative differences (negative goodwill).

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Current asset invest ments

Current asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

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.

Accounting Policies

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.

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. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Provisions for deposit obligations are recognised in the balance sheet as invoiced deposit minus the part that historically is not refunded and the equivalent of the outstanding cores on the remaining part.

Provisions for warranty obligations are recognised in the balance sheet an amount corresponding to the Company's expected costs of warranty obligations in respect of units delivered.

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 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.

Accounting Policies

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.

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

Badwill

Badwill is recognised in the income statement as the reconstructions and budgeted operating losses forming the basis of the difference are realised, however, not over more than 20 years.

Cash Flow Statement

The cash flow statement shows the Group´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 Group´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.

Accounting Policies

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand" and "Credit institutions".

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

Financial Highlights

Explanation of financial ratios

Gross margin	$\dfrac{\text{Gross profit x 100}}{\text{Revenue}}$
Return on assets	$\dfrac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\dfrac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\dfrac{\text{Net profit for the year x 100}}{\text{Average equity}}$