

Car Parts Industries ApS

Bergsøesvej 12, DK-8600 Silkeborg

CVR no. 34 08 27 31

Annual Report

(1 July 2016 – 31 December 2017)

Approval at the company's annual general meeting 16 March 2018

Chairman



Carsten Gyldenlev Kristoffersen

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Statement by Management on the annual report

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Car Parts Industries ApS for the financial year 1 July 2016 - 31 December 2017.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 July 2016 – 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

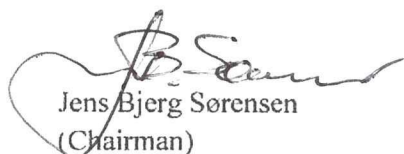
Silkeborg, 16 March 2018

Executive Board

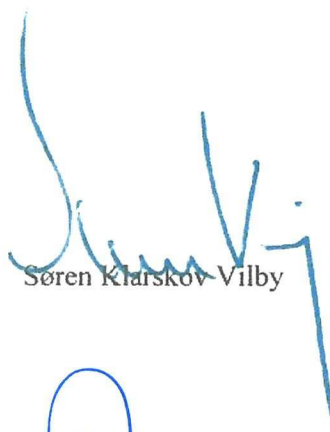


Kim Kruse Andersen
(CEO)

Board of Directors



Jens Bjerg Sørensen
(Chairman)



Søren Klarskov-Vilby



Kurt Bering Sørensen



Jørn Anker Thomsen



Søren Elrik Toft-Jensen

Independent auditor's report

To the shareholders of Car Parts Industries ApS

Opinion

We have audited the financial statements of Car parts Industries ApS for the financial year 1 July 2016 – 31 December 2017, which comprise income statement, balance sheet and notes, including 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 financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 July 2016 – 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 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance 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 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 based on the financial statements.

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

- Identify and assess the risk 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.
- 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 note 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.

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 Statements Act. We did not identify any material misstatement of the Management's review.

Aarhus, den 16 March 2018
Ernst & Young
Godkendt Revisionspartnerselskab
CVR-no. 30 70 02 28



Claus Hammer-Pedersen
State Authorised Public Accountant
MNE-no: mne21334



Kim R. Mortensen
State Authorised Public Accountant
MNE-no: mne18513

Company information

The company

Car Parts Industries ApS
Bergsøesvej 12
8600 Silkeborg

CVR no: 34 08 27 31

Financial year: 1 January - 31 December

Conversion year: 1 July 2016 - 31 December 2017

Municipality of reg. office: Silkeborg

Board of Directors

Jens Bjerg Sørensen (Chairman)
Søren Klarskov Vilby
Kurt Bering Sørensen
Jørn Ankær Thomsen
Søren Ulrik Toft-Jensen

Executive Board

Kim Kruse Andersen

Auditors

Ernst & Young Godkendt Revisionspartnerselskab
Værkmestergade 25, 8000 Aarhus C
CVR-nr: 30 70 02 28

Group relations

The company's financial statements are included in the Group financial statements of the ultimate parent Aktieselskabet Schouw & Co., Aarhus, CVR no. 63 96 58 12.

The consolidated annual report can be obtained here: www.Schouw.dk

Management's review

As of 1 April 2017 Borg Automotive Group including Car Parts Industries ApS got a new owner as the shares in the parent company Borg Automotive Holding A/S was purchased by the Danish listed company Aktieselskabet Schouw & Co. As a result of the new ownership, the financial year for Car Parts Industries ApS has been aligned with the financial year of Schouw & Co, and now follows the calendar year. Consequently FY 2016/2017 include 18 Months.

Main activity

The company's main activity is to own shares in the two subsidiaries Car Parts Industries Belgium S.A. and Car parts Industries UK Ltd. and to provide administration services to the BORG group companies.

Development in the year

Profit for the year ended at TDKK 22,297 (2015/16 TDKK 25,986) which is as expected and considered satisfactory. The equity at 31 December 2017 amounts to TDKK 57,385 (30 June 2016: TDKK 34,577)

Subsequent events

No events materially affecting the financial statements have occurred after year end.

Targets and expectations for the year ahead

For the coming year the result is expected to be on the same level as this year.

Income Statement

	Note	2016/17 18 months	2015/16 12 months
		TDKK	TDKK
Gross margin		617	-78
Staff expenses	1	-1,232	-782
Profit/loss before net financials		-615	-860
Income from investments in subsidiaries		24,519	30,873
Financial income	2	8,827	10,851
Financial expenses	3	-11,061	-16,262
Profit/loss before tax		21,670	24,602
Tax for the year	4	627	1,384
Profit/loss for the year		22,297	25,986
Proposed distribution of profit			
Reserve for net revaluation under the equity method		24,519	4,573
Retained earnings		-2,222	21,413
		22,297	25,986

Balance Sheet

Assets

	Note	31 December 2017	30 June 2016
		TDKK	TDKK
Investments in subsidiaries	5	61,255	42,720
Fixed assets investment		61,255	42,720
Anlægsaktiver		61,255	42,720
Receivables from group enterprises		80,756	44,277
Corporation tax		204	1,380
Receivables		80,960	45,657
Cash at bank and in hand		1	0
Current assets		80,961	45,657
Assets		142,216	88,377

Liabilities and equity

	Note	31 December 2017	30 June 2016
		TDKK	TDKK
Share capital		80	80
Retained earnings		57,305	34,497
Equity	6	57,385	34,577
Credit institutions		102	2,867
Trade payables		2	20
Payables to group companies	7	84,428	50,643
Other payables		299	270
Short-term liabilities		84,831	53,800
Liabilities		84,831	53,800
Liabilities and equity		142,216	88,377

Contingent assets, liabilities and other financial obligations 8

Notes to the Financial Statements

	2016/17 18 months TDKK	2015/16 12 months TDKK
1 Staff expenses		
Wages and salaries	1,113	709
Pensions	108	67
Other staff expenses	11	6
	<u>1,232</u>	<u>782</u>
 Average number of employees	 <u>1</u>	 <u>1</u>
Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.		
2 Financial income		
Interest received from group enterprises	2,464	1,959
Exchange gains	6,363	8,892
	<u>8,827</u>	<u>10,851</u>
3 Financial expenses		
Interest paid to group enterprises	1,663	493
Other financial expenses	9	991
Exchange loss	9,389	14,778
	<u>11,061</u>	<u>16,262</u>
4 Tax on profit/loss for the year		
Current tax for the year	-627	-1,380
Deffered tax for the year	0	0
Adjustment of tax concerning previous years	0	-4
	<u>-627</u>	<u>-1,384</u>

Notes to the Financial Statements

	31 December 2017	30 June 2016
	<u>TDKK</u>	<u>TDKK</u>
5 Investments in subsidiaries		
Cost at 1 July	88,936	49,136
Additions for the year	0	39,800
Cost at 31 December 2017 / 30 June 2016	<u>88,936</u>	<u>88,936</u>
Value adjustment at 1 July	-52,711	-85,029
Exchange adjustment	511	1,445
Net profit/loss for the year	24,519	30,873
Dividend	0	0
Value adjustment at 31 December 2017 / 30 June 2016	<u>-27,681</u>	<u>-52,711</u>
Equity investments with negative net asset value amortised over receivables	<u>0</u>	<u>6,495</u>
Carrying amount at 31 december 2017 / 30 June 2016	<u>61,255</u>	<u>42,720</u>

Investments in subsidiaries are specified as follows:

<u>Name</u>	<u>Share capital</u>	<u>Votes and ownership</u>
Car Parts Industries UK Ltd.	TGBP 10,600	100%
Car Parts Industries Belgium S.A.	TEUR 19	100%



Notes to the Financial Statements

6 Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earning	Total
Equity at 1 July 2016	80	0	34,497	34,577
Exchange adjustments relating to foreign entities	0	511	0	511
Transfers, reserves	0	-25,030	25,030	0
Net profit/loss for the year	0	24,519	-2,222	22,297
Equity at 31 december 2017	80	0	57,305	57,385

The shares consist of 80,000 shares of a nominal value of DKK 1. No shares carry special rights. There have been no changes in the share capital during the last 5 years.

7 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:

	31 December 2017	30 June 2016
	TDKK	TDKK
Payable to group enterprises		
Between 1 and 5 years	0	0
Long-term part	0	0
Other short-term debt to group enterprises	84,428	50,643
	84,428	50,643

8 Contingent assets, liabilities and other financial obligations

Lease agreements

The company has entered into operating lease agreements with an interminable period of 1 month. The total commitment under non-cancellable period is TDKK 6.

Contingent liabilities

The company is jointly and severally liable for tax on the Schouw & Co's jointly taxed income starting from 1 April 2017.

As a security for the groups engagement with Sydbank, the company have given cross gurantee toward Danish companies in the Borg Automotive Group.

Accounting Policies

Basis of preparation

The Annual Report of Car Parts Industries ApS for 2016/17 has been prepared in accordance with the provisions of the Danish Financial Statements Acts applying to enterprises of reporting class B.

Effective from 1 July 2016 the company has implemented act no. 738 of 1 June 2015 (new Danish Financial Statement Act.) This does not imply any changes in the recognition and measurement but new presentation and disclosure requirements. Apart from this the accounting policies remain unchanged from last year.

Annual accounts for 2016/17 are presented in TDKK.

In accordance with section 112 of the Danish Financial Statement Act, the company has not prepared consolidated financial statements.

As a consequence of the change in accounting year to follow the calendar year, the annual accounts 2016/17 contain in total 18 months. With reference to section 55 (2) in the Danish Financial Statements Act, last year figures (2015/16) are not adjusted and therefore not directly comparable.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

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 the financial income and expenses in the income statement.

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

Income Statement

Gross margin

In accordance with section 32 of the Danish Financial Statements Act, the Revenue and external expenses is presented in one line "Gross Margin".

Revenue

Revenue from services is recognised when the work has been performed and the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the company.

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

Accounting Policies

Other external expenses

Other external expenses comprise expenses for travel, premises, as well as office expenses, etc.

Staff expenses

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

Income from investments in subsidiaries

“Income from investments in subsidiaries” includes the proportionate share of the profit for the year.

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

Investments in subsidiaries

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

“Investments in subsidiaries” includes the proportionate ownership share of the net asset value of the enterprises calculated based on 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). Remaining value of negative differences (negative goodwill) will be recognised in the profit & loss.

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.

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.

Accounting Policies

Receivables

Receivables are measured in the balance sheet at the lower amortised cost or net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined based on an individual assessment of each receivable.

Equity

Dividend

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

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 based on the intended use of the asset and settlement of the liability, respectively.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

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

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at the 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 net realisable value.