JAI A/S

Valby Torvegade 17, 1., DK-2500 Valby

Annual Report for 1 April 2017 - 31 March 2018

CVR No 34 79 53 12

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 28/6 2018

Ole Finn Nielsen
Chairman of the General Meeting

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Management’s Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of JAI A/S for the financial year 1 April 2017 - 31 March 2018.

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 31 March 2018 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2017/18.

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.

Copenhagen, 20 June 2018

Executive Board

Jørgen Kjeld Andersen
CEO

Board of Directors

Ole Finn Nielsen Chairman	Mogens Jensen Deputy Chairman	Amnon Fabian Harman

Sigurd Lilienfeldt

Independent Auditor’s Report

To the Shareholder of JAI A/S

Opinion
In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 March 2018 and of the results of the Group’s and the Parent Company’s operations and of consolidated cash flows for the financial year 1 April 2017 - 31 March 2018 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of JAI A/S for the financial year 1 April 2017 - 31 March 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows (”the Financial Statements”).

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 Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management’s Review
Management is responsible for Management’s Review.

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

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

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

Based on the work we have performed, in our view, Management’s Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management’s Review.

Independent Auditor's Report

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and 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 Group or the Company or to cease operations, or has no realistic alternative but to do so.

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit 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 and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent Auditor's Report

- 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 Group's and 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 Group and 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Hellerup, 20 June 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Ulrik Ræbild
State Authorised Public Accountant
mne33262

Flemming Eghoff
State Authorised Public Accountant
mne30221

Company Information

The Company	JAI A/S Valby Torvegade 17, 1. DK-2500 Valby E-mail: mail@jai.com Website: www.jai.com CVR No: 34 79 53 12 Financial period: 1 April - 31 March Municipality of reg. office: København
Board of Directors	Ole Finn Nielsen, Chairman Mogens Jensen Amnon Fabian Harman Sigurd Lilienfeldt
Executive Board	Jørgen Kjeld Andersen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

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

	Group				
	2017/18	2016/17	2015/16	2014/15	2013/14
	KEUR	KEUR	KEUR	KEUR	KEUR
Key figures					
Profit/loss					
Revenue	41,932	40,270	35,215	30,807	29,620
Gross profit/loss	15,038	15,186	14,025	12,051	12,194
Operating profit/loss	3,302	3,365	775	3,032	2,561
Profit/loss before financial income and expenses	3,302	3,366	775	-333	897
Net financials	-298	-102	-359	1,032	-311
Net profit/loss for the year	1,743	1,909	284	484	-1,359
Balance sheet					
Balance sheet total	41,435	42,665	38,929	42,522	37,174
Equity	29,963	31,361	29,271	30,067	28,258
Cash flows					
Cash flows from:					
- operating activities	3,555	5,541	2,365	1,004	4,453
- investing activities	-2,185	-2,147	-2,241	-3,351	-2,986
including investment in property, plant and equipment	-680	-750	-598	-3,991	-860
- financing activities	-1,930	-1,537	-1,861	855	-1,250
Change in cash and cash equivalents for the year	-560	1,857	-1,737	-1,492	217
Number of employees	126	123	140	138	133
Ratios					
Gross margin	35.9%	37.7%	39.8%	39.1%	41.2%
Profit margin	7.9%	8.4%	2.2%	-1.1%	3.0%
Return on assets	8.0%	7.9%	2.0%	-0.8%	2.4%
Solvency ratio	72.3%	73.5%	75.2%	70.7%	76.0%
Return on equity	5.7%	6.3%	1.0%	1.7%	-4.4%

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

Consolidated and Parent Company Financial Statements of JAI A/S for 2017/18 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

There have in the year been changes to the presenting currency. The Consolidated and Parent Company Financial Statements for 2016/17 were presented in KDKK. The Consolidated and Parent Company Financial Statements for 2017/18 are presented in KEUR. Besides the mention change to currency The Consolidated and Parent Company Financial Statements have been prepared under the same accounting policies as last year.

Key activities

The principal activities of JAI A/S are development, production and sale of high-end machine vision cameras and ITS.

Development in the year

The income statement of the Group for 2017/18 shows a profit of KEUR 1,743, and at 31 March 2018 the balance sheet of the Group shows equity of KEUR 29,963.

For the financial year 2017/2018, the group achieved a turnover of KEUR 41,932 compared to KEUR 40,270 in 2016/2017.

Operating profit amounts to KEUR 3,302 compared to KEUR 3,366 in 2016/2017, and the profit of the year amounts to KEUR 1,743 million compared to KEUR 1,909 2016/17.

The development in turnover and profit is driven by our growth in new products and focus on key segments. Turnover and profit has lived up to expectations.

The equity of the group decreased from KEUR 31,360 in 2016/2017 to KEUR 29,963 in 2017/2018, which is a decrease of KEUR 1,397.

The net changes in cash and cash equivalents of 2017/2018 were negative by KEUR 560, compared to positive cash flow of KEUR 1,857, in 2016/2017. The change is mainly due to reduction in cash flow from operating activities of KEUR 2,227 due to exchange adjustments.

At the end of the financial year 2017/2018, the JAI group is still a sound company with a solvency of 72.3 % and cash at bank and in hand of KEUR 9,778.

Management's Review

Subsidiaries/Branches

All subsidiaries/Branches in the JAI group are 100% owned by JAI A/S.

JAI Germany (Branch)

JAI Germany delivers service and repair services for the EMEA region and forms a branch of JAI A/S.

JAI in Japan

Among other things, the subsidiaries in Japan handle development and production of cameras for the JAI Group. Furthermore, they handle delivery of products to Asia and the Pacific region. For 2017/2018, JAI Ltd. achieved a profit of KEUR 1,690 compared to a profit of KEUR 1,705 in 2016/2017.

JAI in US

Among other things, the subsidiary in the US handles production of camera and delivery of products to the North American markets. For 2017/2018, JAI Inc. achieved a profit of KEUR 1,219 compared to a profit of KEUR 0,951 in 2017/2018.

JAI in Finland

The subsidiary in Finland have been loss making for the past five years. During the fiscal year 2017/18, it was decided to start the process of voluntary liquidation of the company. In connection with this process a loan of KEUR 1,254 from the parent has been waived and this contributed to the total profit of KEUR 550. Ordinary activities in the fiscal year 2017/18 was a loss KEUR 703 compared to a loss of KEUR 960 in 2016/17.

Expectations for the future

In the fiscal year 2017/18 several new high and low end products for both Camera and Traffic Solution have been released to the market. The releases of new products will continue in the fiscal year 2018/19. We are therefore expecting an increase in revenue compared to 2017/18. The net result is expected to be above 2017/18.

Cash flow from operating activities for 2018/2019 is expected to be positive.

Management's Review

Risks

General risks

The Group most significant operating risk relates to the ability to be strongly positioned in the market and to remain a market leader in terms of the technological developments within the Group's business areas.

Financial risks

As part of its operations, investments, and financial affairs the Group is exposed to changes in foreign exchange rates and interest rate levels. It is Group policy not to engage in active speculation in financial risks. The Group financial management is thus directed solely at managing existing financial risks.

Currency risks

The Group is affected by changes in foreign exchange rates, as the profit/loss of foreign subsidiaries is translated into EUR based on average exchange rates at the balance sheet date.

The Group currency risks are primarily hedged by matching income/expenses and short term asset/liabilities in the same currency and by the use of financial instruments.

The Group have no hedging of long term Group asset and liabilities. The net foreign exchange loss of year 2017/18 amount to KEUR 156 are primarily due to unrealised loss from group entities.

Intellectual capital and research and development activities

Intellectual capital

JAI's intellectual capital comprises customer relations, employees, technologies, and processes.

Skilled and committed employees are a prerequisite for the Group results. The working environment is informal and with a large degree of freedom and responsibility delegated to each employee. Employee skills are maintained and developed currently.

The JAI Group has considerable knowhow within advanced camera technology and traffic systems, which is maintained and developed on an ongoing basis.

Product development takes place in Japan, USA, Finland and Denmark. It is strategically important to JAI to undertake development activities on these three continents.

Production takes place in Japan and USA. JAI has considerable experience in the production of advanced cameras where quality requirements are high.

Management's Review

Research and development activities

In 2017/18 the Group incurred research and development costs of KEUR 3,076 against KEUR 3,710 of this amount development costs of KEUR 1,516 were capitalised in 2017/18.

Capitalised research and development projects in progress amounted to KEUR 1,003 at 31 March 2017.

Quality systems

Quality has a high priority at JAI, and the Company strives for the best possible quality in all respects.

All companies in the JAI Group are ISO 9001:2008 / ISO 14001:2008 certified. JAI's quality management systems are subject to constant development and improvement.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 April - 31 March

	Note	Group 2017/18 KEUR	Group 2016/17 KEUR	Parent Company 2017/18 KEUR	Parent Company 2016/17 KEUR
Revenue		**41,932**	**40,270**	**11,276**	**11,359**
Other operating income		0	1	2,432	2,259
Expenses for raw materials and consumables		-20,945	-18,800	-7,959	-8,115
Capitalized research costs		1,516	1,761	0	0
Other external expenses		-7,465	-8,046	-2,526	-2,546
Gross profit/loss		**15,038**	**15,186**	**3,223**	**2,957**
Staff expenses	1	-8,466	-8,374	-2,631	-2,437
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-3,270	-3,446	-206	-208
Profit/loss before financial income and expenses		**3,302**	**3,366**	**386**	**312**
Income from investment in subsidiaries	3	0	0	1,711	1,552
Financial income	4	638	809	173	267
Financial expenses	5	-936	-911	-516	-128
Profit/loss before tax		**3,004**	**3,264**	**1,754**	**2,003**
Tax on profit/loss for the year	6	-1,261	-1,355	-11	-94
Net profit/loss for the year		**1,743**	**1,909**	**1,743**	**1,909**

Balance Sheet 31 March

Assets

		Group		Parent Company	
	Note	2018	2017	2018	2017
		KEUR	KEUR	KEUR	KEUR
Completed development projects		4,255	4,229	0	0
Software		369	354	134	229
Goodwill		0	483	0	0
Development projects in progress		1,003	1,711	0	100
Intangible assets	7	**5,627**	**6,777**	**134**	**329**
Land and buildings		1,175	1,358	122	123
Other fixtures and fittings, tools and equipment		3,686	3,864	55	135
Leasehold improvements		406	546	0	0
Property, plant and equipment in progress		59	150	0	0
Property, plant and equipment	8	**5,326**	**5,918**	**177**	**258**
Investments in subsidiaries	9	0	0	25,173	24,927
Fixed asset investments		**0**	**0**	**25,173**	**24,927**
Fixed assets		**10,953**	**12,695**	**25,484**	**25,514**
Inventories	10	**7,557**	**7,090**	**38**	**81**
Trade receivables		11,137	9,949	2,185	2,106
Receivables from group enterprises		0	0	2,245	4,881
Other receivables		303	352	38	50
Deferred tax asset	14	812	1,708	0	0
Prepayments	11	895	533	125	42
Receivables		**13,147**	**12,542**	**4,593**	**7,079**
Cash at bank and in hand		**9,778**	**10,338**	**3,248**	**2,781**
Currents assets		**30,482**	**29,970**	**7,879**	**9,941**
Assets		**41,435**	**42,665**	**33,363**	**35,455**

Balance Sheet 31 March

Liabilities and equity

	Note	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
		KEUR	KEUR	KEUR	KEUR
Share capital		1,254	1,254	1,254	1,254
Reserve for net revaluation under the equity method		0	0	13,389	13,847
Reserve for development costs		0	1,167	0	0
Retained earnings		27,702	27,932	14,313	15,252
Proposed dividend for the year		1,007	1,008	1,007	1,008
Equity	12	**29,963**	**31,361**	**29,963**	**31,361**
Provision for deferred tax	14	1,095	1,185	4	35
Provisions relating to investments in group enterprises		0	0	167	0
Other provisions	15	769	623	0	0
Provisions		**1,864**	**1,808**	**171**	**35**
Credit institutions		1,452	2,203	0	0
Lease obligations		9	29	0	3
Long-term debt	16	**1,461**	**2,232**	**0**	**3**
Credit institutions	16	987	1,163	0	0
Lease obligations	16	23	78	9	63
Prepayments received from customers		0	11	0	0
Trade payables		4,800	3,426	242	296
Payables to group enterprises		36	0	2,185	2,654
Corporation tax		426	160	42	71
Other payables		1,875	2,426	751	972
Short-term debt		**8,147**	**7,264**	**3,229**	**4,056**
Debt		**9,608**	**9,496**	**3,229**	**4,059**
Liabilities and equity		**41,435**	**42,665**	**33,363**	**35,455**

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Statement of Changes in Equity

Group

	Share capital	Reserve for net revalua-tion under the equity method	Reserve for development costs	Retained earnings	Proposed dividend for the year	Total
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Equity at 1 April	1,254	0	1,166	27,932	1,008	31,360
Exchange adjustments	0	0	0	-2,176	0	-2,176
Ordinary dividend paid	0	0	0	0	-964	-964
Ordinary dividend on treasury shares	0	0	0	44	-44	0
Other equity movements	0	0	-1,166	1,166	0	0
Net profit/loss for the year	0	0	0	736	1,007	1,743
Equity at 31 March	**1,254**	**0**	**0**	**27,702**	**1,007**	**29,963**

Parent Company

	Share capital	Reserve for net revalua-tion under the equity method	Reserve for development costs	Retained earnings	Proposed dividend for the year	Total
Equity at 1 April	1,254	13,847	0	15,251	1,008	31,360
Exchange adjustments	0	-2,169	0	-7	0	-2,176
Ordinary dividend paid	0	0	0	0	-964	-964
Ordinary dividend on treasury shares	0	0	0	44	-44	0
Net profit/loss for the year	0	1,711	0	-975	1,007	1,743
Equity at 31 March	**1,254**	**13,389**	**0**	**14,313**	**1,007**	**29,963**

Cash Flow Statement 1 April - 31 March

	Note	Group 2017/18 KEUR	Group 2016/17 KEUR
Net profit/loss for the year		1,743	1,909
Adjustments	17	3,003	5,059
Change in working capital	18	-1,159	-1,137
Cash flows from operating activities before financial income and expenses		**3,587**	**5,831**
Financial income		638	809
Financial expenses		-936	-911
Cash flows from ordinary activities		**3,289**	**5,729**
Corporation tax paid		266	-188
Cash flows from operating activities		**3,555**	**5,541**
Purchase of intangible assets		-1,671	-1,793
Purchase of property, plant and equipment		-680	-750
Sale of intangible assets and property, plant and equipment		166	396
Cash flows from investing activities		**-2,185**	**-2,147**
Repayment of loans from credit institutions		-927	-347
Reduction of lease obligations		-75	-71
Repayment of payables to group enterprises		36	-155
Dividend paid		-964	-964
Cash flows from financing activities		**-1,930**	**-1,537**
Change in cash and cash equivalents		**-560**	**1,857**
Cash and cash equivalents at 1 April		10,338	8,481
Cash and cash equivalents at 31 March		**9,778**	**10,338**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		9,778	10,338
Cash and cash equivalents at 31 March		**9,778**	**10,338**

Notes to the Financial Statements

	Group		Parent Company	
	2017/18	2016/17	2017/18	2016/17
	KEUR	KEUR	KEUR	KEUR
1 Staff expenses				
Wages and salaries	7,695	7,504	2,523	2,323
Pensions	49	87	0	0
Other social security expenses	332	346	108	114
Other staff expenses	390	437	0	0
	8,466	**8,374**	**2,631**	**2,437**
Including remuneration to the Executive Board and Board of Directors of:				
Executive Board	475	475	475	475
Board of Directors	46	46	46	46
	521	**521**	**521**	**521**
Average number of employees	**126**	**123**	**21**	**20**

2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

	Group 2017/18	Group 2016/17	Parent Company 2017/18	Parent Company 2016/17
Amortisation of intangible assets	2,374	2,587	95	101
Depreciation of property, plant and equipment	896	859	111	107
	3,270	**3,446**	**206**	**208**

3 Income from investment in subsidiaries

	Parent Company 2017/18	Parent Company 2016/17
Share of profits of subsidiaries	3,482	1,697
Amortisation of goodwill	-483	-127
Change in intercompany profit on inventories purchased within the Group	-34	-18
Debt forgiveness	-1,254	0
	1,711	**1,552**

	Group		Parent Company	
	2017/18	2016/17	2017/18	2016/17
	KEUR	KEUR	KEUR	KEUR
4 Financial income				
Interest received from group enterprises	0	0	50	31
Other financial income	21	6	0	0
Exchange gains	617	803	123	236
	638	**809**	**173**	**267**
5 Financial expenses				
Interest paid to group enterprises	0	0	8	14
Other financial expenses	162	176	35	24
Exchange loss	774	735	473	90
	936	**911**	**516**	**128**
6 Tax on profit/loss for the year				
Current tax for the year	601	434	42	71
Deferred tax for the year	660	922	-31	24
Adjustment of tax concerning previous years	0	-1	0	-1
	1,261	**1,355**	**11**	**94**

Notes to the Financial Statements

7 Intangible assets

Group

	Completed development projects	Software	Goodwill	Development projects in progress	Total
	KEUR	KEUR	KEUR	KEUR	KEUR
Cost at 1 April	23,351	1,571	2,131	1,711	28,764
Exchange adjustment	-2,246	-86	-3	-62	-2,397
Additions for the year	0	155	0	1,516	1,671
Disposals for the year	-2,874	-284	0	0	-3,158
Transfers for the year	2,162	0	0	-2,162	0
Cost at 31 March	20,393	1,356	2,128	1,003	24,880
Impairment losses and amortisation at 1 April	19,121	1,217	1,649	0	21,987
Exchange adjustment	-1,872	-74	-4	0	-1,950
Amortisation for the year	1,763	128	483	0	2,374
Reversal of amortisation of disposals for the year	-2,874	-284	0	0	-3,158
Impairment losses and amortisation at 31 March	16,138	987	2,128	0	19,253
Carrying amount at 31 March	**4,255**	**369**	**0**	**1,003**	**5,627**

As a Technology company our development projects relates to development of new camera technologies, and improvement of existing products and some customization.

Our development projects is developed according to plan and launch to support our growth.

The development of new technologies is a key activity to keep up with the technology development and will continue to support the company strategy. Projects is monitored and progressing according to plans.

Notes to the Financial Statements

7 **Intangible assets** (continued)

Parent Company

	Software	Development projects in progress	Total
	KEUR	KEUR	KEUR
Cost at 1 April	804	100	904
Disposals for the year	0	-100	-100
Cost at 31 March	804	0	804
Impairment losses and amortisation at 1 April	575	0	575
Amortisation for the year	95	0	95
Impairment losses and amortisation at 31 March	670	0	670
Carrying amount at 31 March	**134**	**0**	**134**

Notes to the Financial Statements

8 Property, plant and equipment

Group

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	Total
	KEUR	KEUR	KEUR	KEUR	KEUR
Cost at 1 April	2,846	10,173	1,014	150	14,183
Exchange adjustment	-248	-515	-90	-13	-866
Additions for the year	0	680	0	0	680
Disposals for the year	0	-314	0	-78	-392
Cost at 31 March	2,598	10,024	924	59	13,605
Impairment losses and depreciation at 1 April	1,489	6,309	468	0	8,266
Exchange adjustment	-136	-447	-34	0	-617
Depreciation for the year	70	742	84	0	896
Reversal of impairment and depreciation of sold assets	0	-266	0	0	-266
Impairment losses and depreciation at 31 March	1,423	6,338	518	0	8,279
Carrying amount at 31 March	**1,175**	**3,686**	**406**	**59**	**5,326**
Including assets under finance leases amounting to	0	27	0	0	27

Notes to the Financial Statements

8 Property, plant and equipment (continued)

Parent Company

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	KEUR	KEUR	KEUR	KEUR
Cost at 1 April	125	1,140	123	1,388
Exchange adjustment	0	-2	0	-2
Additions for the year	0	31	0	31
Kostpris at 31 March	125	1,169	123	1,417
Impairment losses and depreciation at 1 April	3	1,005	123	1,131
Exchange adjustment	0	-2	0	-2
Depreciation for the year	0	111	0	111
Impairment losses and depreciation at 31 March	3	1,114	123	1,240
Carrying amount at 31 March	**122**	**55**	**0**	**177**
Including assets under finance leases amounting to	0	3	0	3

Notes to the Financial Statements

	Parent Company	
	2018	2017
	KEUR	KEUR
9 Investments in subsidiaries		
Cost at 1 April	10,363	10,363
Additions for the year	1,254	0
Cost at 31 March	11,617	10,363
Value adjustments at 1 April	13,847	11,146
Exchange adjustment	-2,169	1,149
Net profit/loss for the year	3,482	1,697
Amortisation of goodwill	-483	-127
Change in intercompany profit on inventories	-34	-18
Other adjustments	-1,254	0
Value adjustments at 31 March	13,389	13,847
Equity investments with negative net asset value amortised over receivables	0	717
Equity investments with negative net asset value transferred to provisions	167	0
Carrying amount at 31 March	**25,173**	**24,927**
Hereof goodwill and internal profit at 31 March	0	483

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
JAI Ltd.	Yokohama City, Japan	KJPY 90,000	100%	18,985	1,690
JAI Inc.	California, USA	KUSD 3,000	100%	5,974	1,219
JAI Oy	Helsinki, Finland	KEUR 26	100%	-167	550
JAI Aviation ApS	Valby, Denmark	KDKK 200	100%	214	23
				25,006	3,482

	Group		Parent Company	
	2018	2017	2018	2017
	KEUR	KEUR	KEUR	KEUR

10 Inventories

	Group 2018 KEUR	Group 2017 KEUR	Parent Company 2018 KEUR	Parent Company 2017 KEUR
Raw materials and consumables	5,820	6,115	0	0
Work in progress	392	444	0	0
Finished goods and goods for resale	2,833	2,364	121	166
Write-down for obsolescense	-1,488	-1,833	-83	-85
	7,557	**7,090**	**38**	**81**

11 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

12 Equity

The share capital is broken down as follow:

	Number	Nominal value KEUR
A-shares, foreign investors	2,000,000	268
B-shares, foreign investors	6,937,100	931
B-shares, treasury shares	406,000	55
		1,254

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

The Company holds a total of 406 shares with a nominal value of EUR 55k corresponding to 4 % of the total capital.

Notes to the Financial Statements

13 Distribution of profit

	Parent Company 2017/18 KEUR	Parent Company 2016/17 KEUR
Proposed dividend for the year	1,007	1,008
Reserve for net revaluation under the equity method	1,711	1,552
Retained earnings	-975	-651
	1,743	**1,909**

14 Provision for deferred tax

	Group		Parent Company	
	2018 KEUR	2017 KEUR	2018 KEUR	2017 KEUR
Provision for deferred tax at 1 April	1,185	806	35	85
Amounts recognised in the income statement for the year	-90	344	-31	24
Exchange rate adjustments	0	35	0	-74
Provision for deferred tax at 31 March	**1,095**	**1,185**	**4**	**35**

Deferred tax asset

The presentation of the Annual Report involves a calculation of the carrying amount of certain assets and liabilities which is subject to various assessments, estimates and assumptions about future events. These are often based on factors that in certain circumstances are considered reasonable and correct by Company Management at the time of reporting. In the nature of the case, however, these factors are often associated with some degree of uncertainty and predictability.

A deferred tax asset of a total value of EUR 812k (2017: EUR 1708k) has been recognised in the Financial Statements. The tax asset has been recognised to the extent that it is considered probable that the tax asset may be realised within the foreseeable future. The amount has been determined on the basis of the budget prepared for 2018/19 and estimates for 2019/20 and 2020/21, so that the amount is based on an estimate of the probable future taxable profit for those periods.

15 Other provisions

The Company provides warranties of 3 years on its products and is therefore obliged to repair or replace goods which are not satisfactory. Based on previous experience in respect of the level of repairs and returns, other provisions of kEUR 411 (2017: kEUR 281) have been recognised for expected warranty claims.

The Company provides a one time payment to employees in Japan, who have been employed more than 3 years, when they leave the Company. This is regarded as retirement benefit obligation.

	Group		Parent Company	
	2018	2017	2018	2017
	KEUR	KEUR	KEUR	KEUR
Warranty obligations	411	281	0	0
Retirement Benefit Obligation	358	342	0	0
	769	**623**	**0**	**0**
The provisions are expected to mature as follows:				
Within 1 year	769	623	0	0
	769	**623**	**0**	**0**

Notes to the Financial Statements

16 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	
	2018	2017	2018	2017
	KEUR	KEUR	KEUR	KEUR
Credit institutions				
After 5 years	353	701	0	0
Between 1 and 5 years	1,099	1,502	0	0
Long-term part	1,452	2,203	0	0
Within 1 year	907	1,163	0	0
Other short-term debt to credit institutions	80	0	0	0
Short-term part	987	1,163	0	0
	2,439	**3,366**	**0**	**0**
Lease obligations				
Between 1 and 5 years	9	29	0	3
Long-term part	9	29	0	3
Within 1 year	23	78	9	63
	32	**107**	**9**	**66**

17 Cash flow statement - adjustments

	Group 2017/18 KEUR	Group 2016/17 KEUR
Exchange adjustments	-2,481	-617
Depreciation, amortisation and impairment losses, including losses and gains on sales	3,271	3,446
Deferred tax asset, 1 April	1,708	2,146
Deferred tax asset, 31 March	-812	-1,708
Deferred tax liability, 1 April	-1,185	-804
Deferred tax liability, 31 March	1,095	1,185
Tax on profit/loss for the year	1,261	1,355
Other provisions, movement of the year	146	56
	3,003	**5,059**

18 Cash flow statement - change in working capital

	2017/18	2016/17
Change in inventories	467	164
Change in receivables	1,188	2,976
Change in other receivables	-46	-29
Change in prepaid expenses	362	8
Change in trade payables	-1,374	-2,118
Change in prepayments from customers	11	27
Change in other payables	551	109
	1,159	**1,137**

	Group		Parent Company	
	2018	2017	2018	2017
	KEUR	KEUR	KEUR	KEUR

19 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

	2018	2017	2018	2017
Lease obligations under operating leases. Total future lease payments:				
Rental obligations	723	1,247	82	236
Lease obligations	142	135	95	27
	865	**1,382**	**177**	**263**

Other contingent liabilities

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

The Parent Company has provided absolute guarantee for the subsidiary, JAI Aviation ApS, bank institution.

20 Related parties

	Basis
Controlling interest	
Jørgen Andersen	Shareholder

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm’s length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Ownership

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

JAI Group Holding ApS, Valby Torvegade 17, 1., 2500 Valby

Notes to the Financial Statements

21 Accounting Policies

The Annual Report of JAI A/S for 2017/18 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

Changes in accounting policies

There have in the year been changes to the presenting currency. The Consolidated and Parent Company Financial Statements for 2016/17 were presented in KDKK. The Consolidated and Parent Company Financial Statements for 2017/18 are presented in KEUR.

Average exchange rate for Income Statement 2016/17 was 743,91.

Exchange rate for Balance at 31 March 2017 was 743,79.

Average exchange rate for Income Statement 2017/18 was 744,15.

Exchange rate for Balance at 31 March 2018 was 745,16.

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.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, JAI A/S, 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.

Notes to the Financial Statements

21 Accounting Policies (continued)

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 as income in the income statement at the date of acquisition.

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.

Notes to the Financial Statements

21 Accounting Policies (continued)

Translation policies

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

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

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

Income Statement

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.

Notes to the Financial Statements

21 Accounting Policies (continued)

Staff expenses

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

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale 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.

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 subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

21 Accounting Policies (continued)

Balance Sheet

Intangible assets

Development projects, patents and licences

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the Group can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 5 years.

Patents and licences are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Patents are amortised over the remaining patent period or a shorter useful life. The amortisation period is years. Software licences are amortised over the period of the agreement, which is years.

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life of 20 years. determined on the basis of Management's experience with the individual business areas.

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.

Notes to the Financial Statements

21 Accounting Policies (continued)

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	20-50 years
Fixtures and equipment	3-20 years
Leasehold improvements	3-10 years
Property, plant and equipment	3-20 years

Depreciation period and residual value are reassessed annually.

Assets costing less than EUR 1,705 are expensed in the year of acquisition.

Impairment of fixed assets

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

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

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 the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

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 EUR 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Notes to the Financial Statements

21 Accounting Policies (continued)

Inventories

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

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

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

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

Receivables

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

Prepayments

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

Equity

Dividend

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

Treasury shares

Purchase and sales prices for treasury shares are recognised directly in retained earnings under equity. A reduction of capital by cancellation of treasury shares reduces the share capital by an amount equal to the nominal value of the shares and increases retained earnings. Dividend on treasury shares is recognised directly in equity under retained earnings.

Notes to the Financial Statements

21 Accounting Policies (continued)

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.

Other provisions include warranty obligations in respect of repair work within the warranty period of 3 years. Provisions are measured and recognised based on experience with guarantee work.

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.

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

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

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

21 Accounting Policies (continued)

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.

Cash and cash equivalents

Cash and cash equivalents comprise ”Cash at bank and in hand”.

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

Notes to the Financial Statements

21 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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