

AVK Plast A/S
Central Business Registration No
78205628
Øster Vedsted Vej 26 A
6760 Ribe

Annual report 2015/16

The Annual General Meeting adopted the annual report on 15.11.2016

Chairman of the General Meeting

Name: Knud Flemming Madsen

Contents

	<u>Page</u>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's reports	3
Management commentary	5
Accounting policies	6
Income statement for 2015/16	11
Balance sheet at 30.09.2016	12
Statement of changes in equity for 2015/16	14
Notes	15

Entity details

Entity

AVK Plast A/S

Øster Vedsted Vej 26 A

6760 Ribe

Central Business Registration No: 78205628

Registered in: Esbjerg

Financial year: 01.10.2015 - 30.09.2016

Board of Directors

Knud Flemming Madsen, chairman

Garnt Cornelis de Kroon

Vilhelm Nakskov Laursen

Poul Erik Olesen Schmidt

Executive Board

Peter Michael Larsen, director

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Værkmestergade 2

8000 Aarhus

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of AVK Plast A/S for the financial year 01.10.2015 - 30.09.2016.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.09.2016 and of the results of its operations for the financial year 01.10.2015 - 30.09.2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Ribe, 15.11.2016

Executive Board

Peter Michael Larsen
director

Board of Directors

Knud Flemming Madsen
chairman

Garnt Cornelis de Kroon

Vilhelm Nakskov Laursen

Poul Erik Olesen Schmidt

Independent auditor's reports

To the owners of AVK Plast A/S

Report on the financial statements

We have audited the financial statements of AVK Plast A/S for the financial year 01.10.2015 - 30.09.2016, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on the 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation of 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 Entity'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 the overall presentation of the 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.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 30.09.2016 and of the results of its operations for the financial year 01.10.2015 - 30.09.2016 in accordance with the Danish Financial Statements Act.

Independent auditor's reports

Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the financial statements.

Århus, 15.11.2016

Deloitte

Statsautoriseret Revisionspartnerselskab

Henrik Vedel

State Authorised Public Accountant

Søren Alsen Lauridsen

State Authorised Public Accountant

CVR-nr. 33963556

Management commentary

Primary activities

The company's principal activities comprise manufacture, installation and sale of plastic products to the industry.

The manufacture comprises mainly plastic moulding of very different plastic products in machines with clamp forces from 35 to 2.700 tonnes. The products are manufactured and sold with and without subsequent installation.

The installation comprises typically assembly work where, for example, plastic products and components are assembled to semi-products or finished products and are then delivered/sold.

The company has its own moulding facility which, besides dealing with maintenance work, manufactures and sells moulds and tools to its customers.

Development in activities and finances

The company has existed for approx. 50 years and is since 26 April 2010 owned by the AVK Group.

The profit before taxes for the year are DKK ('000) 240, leaving a gross profit of DKK 25,8 million.

The results are lower than expected and are not satisfactory. The company expects an increase in revenue in 2016/17.

The company has in the past year invested in extra production capacity in general, and a new 1.700 tonnes plastic moulding was installed in September 2016.

Quality and environmental management

AVK Plast A/S is certified according to the ISO 9001:2008 and ISO 14001:2004 standards.

Advanced Product Quality Planning (APQP) has been implemented, including i.a. PPAP, FMEA, PSC and MSA.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied for these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, cost of raw materials and consumables and external expenses.

Accounting policies

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Cost of sales

Cost of sales comprises costs of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as plant and equipment.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Income taxes

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Accounting policies

The Entity is jointly taxed with all Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and acquired intellectual property rights.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, but over no more than 20 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5-10 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

Accounting policies

Inventories

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on and impairment losses relating to machinery, factory buildings and equipment applied for the manufacturing process. Financing costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Contract work in progress

Contract work in progress is measured at the cost price of the work carried out at the balance sheet date.

Revenue and expenses regarding the contract work is recognised in the income statement when delivery is made and risk has passed to the buyer .

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Finance lease commitments

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Accounting policies

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Income statement for 2015/16

	<u>Notes</u>	<u>2015/16 DKK</u>	<u>2014/15 DKK</u>
Gross profit		25.804.741	25.488.299
Staff costs	1	(22.054.032)	(21.180.267)
Depreciation, amortisation and impairment losses		<u>(3.162.920)</u>	<u>(2.410.729)</u>
Operating profit/loss		587.789	1.897.303
Other financial income		98.373	118.097
Other financial expenses		<u>(446.193)</u>	<u>(305.643)</u>
Profit/loss from ordinary activities before tax		239.969	1.709.757
Tax on profit/loss from ordinary activities	2	<u>(54.244)</u>	<u>(306.006)</u>
Profit/loss for the year		<u>185.725</u>	<u>1.403.751</u>
Proposed distribution of profit/loss			
Retained earnings		<u>185.725</u>	<u>1.403.751</u>
		<u>185.725</u>	<u>1.403.751</u>

Balance sheet at 30.09.2016

	<u>Notes</u>	<u>2015/16 DKK</u>	<u>2014/15 DKK</u>
Acquired intangible assets		197.704	42.020
Intangible assets	3	<u>197.704</u>	<u>42.020</u>
Plant and machinery		29.787.156	21.308.653
Other fixtures and fittings, tools and equipment		0	0
Leasehold improvements		962.579	1.097.081
Property, plant and equipment	4	<u>30.749.735</u>	<u>22.405.734</u>
Deposits		500.000	500.000
Other receivables		1.195.000	1.591.000
Fixed asset investments	5	<u>1.695.000</u>	<u>2.091.000</u>
Fixed assets		<u>32.642.439</u>	<u>24.538.754</u>
Raw materials and consumables		6.658.894	5.917.145
Work in progress		486.700	482.284
Manufactured goods and goods for resale		3.331.809	3.818.106
Inventories		<u>10.477.403</u>	<u>10.217.535</u>
Trade receivables		10.202.356	9.100.514
Contract work in progress		111.244	723.637
Receivables from group enterprises		2.658.324	1.649.662
Other short-term receivables		267.818	1.139.925
Prepayments		336.579	294.508
Receivables		<u>13.576.321</u>	<u>12.908.246</u>
Cash		<u>4.126</u>	<u>9.895</u>
Current assets		<u>24.057.850</u>	<u>23.135.676</u>
Assets		<u>56.700.289</u>	<u>47.674.430</u>

Balance sheet at 30.09.2016

	<u>Notes</u>	<u>2015/16 DKK</u>	<u>2014/15 DKK</u>
Contributed capital		500.000	500.000
Retained earnings		<u>22.440.666</u>	<u>22.254.941</u>
Equity		<u>22.940.666</u>	<u>22.754.941</u>
Provisions for deferred tax		<u>1.064.977</u>	<u>1.122.437</u>
Provisions		<u>1.064.977</u>	<u>1.122.437</u>
Finance lease liabilities		<u>20.660.918</u>	<u>11.673.620</u>
Non-current liabilities other than provisions	6	<u>20.660.918</u>	<u>11.673.620</u>
Current portion of long-term liabilities other than provisions	6	2.005.000	1.140.000
Trade payables		2.894.723	3.785.370
Debt to group enterprises		3.890.459	3.632.143
Income tax payable		111.692	458.556
Other payables		<u>3.131.854</u>	<u>3.107.363</u>
Current liabilities other than provisions		<u>12.033.728</u>	<u>12.123.432</u>
Liabilities other than provisions		<u>32.694.646</u>	<u>23.797.052</u>
Equity and liabilities		<u>56.700.289</u>	<u>47.674.430</u>
Unrecognised rental and lease commitments	7		
Contingent liabilities	8		
Assets charged and collateral	9		
Consolidation	10		

Statement of changes in equity for 2015/16

	Contributed capital DKK	Retained ear- nings DKK	Total DKK
Equity beginning of year	500.000	22.254.941	22.754.941
Profit/loss for the year	0	185.725	185.725
Equity end of year	500.000	22.440.666	22.940.666

Notes

	2015/16	2014/15
	DKK	DKK
1. Staff costs		
Wages and salaries	18.551.512	17.752.540
Pension costs	2.618.410	2.563.016
Other social security costs	449.742	475.066
Other staff costs	434.368	389.645
	22.054.032	21.180.267
	2015/16	2014/15
	DKK	DKK
2. Tax on ordinary profit/loss for the year		
Current tax	111.692	458.556
Change in deferred tax for the year	(51.018)	(135.420)
Adjustment relating to previous years	(6.430)	(17.130)
	54.244	306.006
		Acquired
		intangible
		assets
		DKK
3. Intangible assets		
Cost beginning of year		616.084
Additions		194.015
Cost end of year		810.099
Amortisation and impairment losses beginning of year		(574.064)
Amortisation for the year		(38.331)
Amortisation and impairment losses end of year		(612.395)
Carrying amount end of year		197.704

Notes

	Plant and machinery DKK	Other fix- tures and fittings, tools and equipment DKK	Leasehold improve- ments DKK
4. Property, plant and equipment			
Cost beginning of year	28.362.042	24.999	1.345.018
Additions	11.468.590	0	0
Disposals	(250.000)	0	0
Cost end of year	39.580.632	24.999	1.345.018
Depreciation and impairment losses beginning of the year	(7.053.389)	(24.999)	(247.937)
Depreciation for the year	(2.895.573)	0	(134.502)
Reversal regarding disposals	155.486	0	0
Depreciation and impairment losses end of the year	(9.793.476)	(24.999)	(382.439)
Carrying amount end of year	29.787.156	0	962.579
Recognised assets not owned by entity	22.208.274	0	0
5. Fixed asset investments			
Cost beginning of year		500.000	1.591.000
Disposals		0	(396.000)
Cost end of year		500.000	1.195.000
Carrying amount end of year		500.000	1.195.000
	Instalments within 12 months 2014/15 DKK	Instalments within 12 months 2015/16 DKK	Instalments beyond 12 months 2015/16 DKK
6. Long-term liabilities other than provisions			
Finance lease liabilities	1.140.000	2.005.000	20.660.918
	1.140.000	2.005.000	20.660.918

Notes

	<u>2015/16</u> <u>DKK</u>	<u>2014/15</u> <u>DKK</u>
7. Unrecognised rental and lease commitments		
Commitments under rental agreements or leases until expiry	<u>4.044.000</u>	<u>2.251.000</u>

Unrecognised rental and lease commitments regards 4 operational lease contracts until 2020 and 1 rental contract with 19 months left.

8. Contingent liabilities

The Company participates in a Danish joint taxation arrangement in which AVK Holding A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable for income taxes etc. for the jointly taxed companies and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

9. Assets charged and collateral

The company have made a delivery guarantee which expires in 2020, on 865.000 DKK.

10. Consolidation

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

AVK Holding A/S, Galten