IFRS ACCOUNTING POLICIES 2012

CORPORTATE INFORMATION

The consolidated financial statements of Visma AS, for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Board of Directors on 18 March 2013. Visma AS (hereafter the 'Company' or 'Visma' or the 'Group') is a limited liability company incorporated and domiciled in Oslo, Norway. The registered office of Visma AS is Karenslyst allé 56, 0277 Oslo, Norway**.** The Company is 100 % owned by Archangel AS. Information on its ultimate parent is presented in note11.

The Groups activities are described in note 2.

STATEMENT OF COMPLIANCE

The consolidated financial statements of Visma AS including all its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

BASIS OF PREPARATION
The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale investments (primarily shares owned less than 20%) and interest rate swaps that have been measured at fair value.

The consolidated financial statements have been prepared on the basis of uniform accounting principles for similar transactions and events under otherwise similar circumstances.

The consolidated financial statements are presented in NOK and all values are rounded to the nearest thousand (NOK 1.000) except when otherwise indicated.

BASIS FOR CONSOLIDATION
The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December each year.

Basis for consolidation and non-controlling interest

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in other comprehensive income
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Segment reporting

For management purposes, the Group is organised into six business areas according to range of products/services. These divisions comprise the basis for primary segment reporting. The financial information relating to segments and geographical distribution is presented in note 2.

The internal gain on sales between the various segments is eliminated in the segment reporting.

Functional currency and presentation currency

The consolidated financial statements are presented in NOK, which is Visma AS's functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. All exchange differences are recognised in the income statement with the exception of exchange differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity, or monetary items that are regarded as a part of the net investments. These exchange differences are recognised as a separate component of other comprehensive income until the disposal of the net investment, at which time they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also recorded in other comprehensive income. Non-monetary items that are measured at historical cost in foreign currency are translated using the exchange rates at the dates of the initial transactions.

The Group has foreign entities with functional currency other than NOK. At the reporting date, the assets and liabilities of foreign entities with functional currencies other than NOK are translated into NOK at the rate of exchange at the reporting date and their income statements are translated at the average exchange rates for the year. The translation differences arising from the translation are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the income statement.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment
Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities are assigned to those units or groups of units. A cash-generating unit to which goodwill has been allocated will be tested for impairment annually, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit.

Where recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. The recoverable amount of a cash-generating unit is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the cash-generating unit.

Cash-generating units
A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. In identifying whether cash inflows from an asset (or group of assets) are largely independent of the cash inflows from other assets (or groups of assets), the management considers various factors including how management monitors the entity's operations (such as by product or service lines, businesses, geographical areas). The group of cash-generating units is in any case not larger than an operating segment determined in accordance with IFRS 8 Operating Segment.

Intangible assets

Research and development cost

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognised as an intangible asset when the Group can demonstrate:
- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability to use it sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure carried forward is amortised over the period of the expected future sales from the related project. Amortisation starts when the development process is completed.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

Gains and losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised but are expensed as occurred.

Identifiable intangible assets acquired in business combinations

The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition.

Values related to contracts and customer relationships are identified and recorded as identifiable intangible assets. The fair value of contracts and customer relationships are calculated considering the estimated future recurring revenues from the customers in the acquired operations at the date of the acquisition. The value related to contracts and customer relationships are calculated on a 100 % basis, including the share of any non-controlling interest. The fair value of tax amortizations are considered in the recorded value of contracts and customer relationships. Any deferred tax liabilities related to the recorded contracts and customer relationships are calculated at nominal values and the difference between the fair value of the tax amortizations and the corresponding deferred tax liabilities are recorded as a part of goodwill.

Purchased rights and contracts and customer relationships acquired are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to this class of intangible assets. Purchased rights and contract and customer relationships have 4 – 15 years of useful life and are amortized on a straight-line basis over their useful life. The depreciable amount is determined after deducting its residual value (only where there is an active market for the asset). Useful life and residual value are reviewed at least annually and reflect the pattern in which the benefits associated with the asset are consumed. A change in the useful life or depreciation method is accounted for prospectively as a change in accounting estimate.

Trademark with indefinite lives are not amortised but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The carrying values of intangible assets with finite useful life are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of intangible assets is the greater of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in the income statement.

An item of intangible assets is derecognised upon disposal or when no future economics benefits are expected to arise from the continued use of the asset. Gains or losses on the sale or disposal of intangible assets are recorded as other operating revenues and other operating costs respectively in the year the item is derecognised.

Current/non-current classification

All assets and liabilities related to the operating cycle are classified as current/short-term. For receivables and liabilities outside the operating cycle, the current/non-current distinction is determined based on a one year maturity-rule as from the acquisition date.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is recognized gross unless required to be recognised net by a Standard or Interpretation (IAS 1.32).

Visma Software

Visma Software supplies, ERP, CRM, HR/payroll, and e-commerce software to small and medium-sized enterprises.

In Visma Software the most common types of revenue streams are:

- Licence fees
- Revenue from maintenance agreements
- Revenue from support agreements
- Revenue from Software as a Service solutions
- Revenue from services and other consulting services

License and maintenance fees

Licence fees related to software are recognized as revenue when the software is delivered. A delivery has taken place when the risk and control related to the software in all significant aspects have been transferred to the customer. Risk in this relation means the profit and loss potential related to the software. Control is related to the delivery of the software. At what time a delivery has taken place will therefore depend on the conditions included in the specific sales arrangement.

Initial licence fees are recognised when:

- A non cancellable licence agreement has been signed;
- The software and related documentation have been shipped;
- No material uncertainties regarding customer acceptance exists;
- Collection of the resulting receivable is deemed probable.

Visma has two separate relationships related to their software licences and related maintenance contracts; one software licence contract and one maintenance contract, which may also include customer support. In addition Visma and/or the distributor may enter into separate contracts with the end-user regarding installation, implementation, support and other consultancy services related to the software. Most of this work is performed by a distributor.

Visma account for licence fee and maintenance fee separately. Licence fee is recognised when shipped to the customer when the criteria in IAS 18.14 are met. Maintenance fees are charged annually and recognised on a straight line basis over the contract period. Customers normally have the right to cancel their utilization rights prior to the next renewal period. Failing cancellation in due time, customers are obliged to pay for the next period. Such revenue from maintenance is recognised over the lifetime of the contract.

When the software is delivered electronically, the delivery criterion for revenue recognition is met when the customer has the reasonable ability to access the licensed software. This condition is generally met when:

- Visma provides the necessary access codes to the customer to allow the customer to commence download of the licensed software and
- Visma's server is functioning.

In some cases Visma is selling customized software implying development of new functionality. When delivering customised software, the percentage of completion method is applied.

Revenue from support agreement
Revenue from support agreements is recognised when the support is performed. Fixed price support contracts are recognized on a straight-line basis over the support period.

Software as a Service (SaaS)
Revenue from SaaS solutions may in some cases have two components – an up-front payment to cover the set-up fee, and an ongoing service fee equivalent to the maintenance contract, but including the hosting service. Visma recognize the portion of the fee related to the set-up on delivery, with the portion of the fee related to the maintenance and hosting element being recognized on a straight-line basis over the contract period as the service is provided. If the two components cannot be separated, the license fee is recognized over the contract period (normally on a straight-line basis).

Revenue from other services including consulting services
Revenue from services provided in connection with the supply of standard software and other consulting services are recognized when the services are performed according to the percentage of completion method. These services could include installation, implementation, reporting and database building, training of the customer etc.

Visma BPO Accounting & Payroll

Visma BPO Accounting & Payroll is a service provider for their customer with a complete suite of outsourcing services within accounting, payroll administration, financial reporting and consultancy.

In Visma BPO Accounting & Payroll the most common types of revenue streams are:

- Revenue from transaction-based agreements
- Revenue from fixed price agreements
- Revenue from personnel for hire
- Revenue from consulting by the hour

Revenue from transaction-based agreements
Agreements based on transactions have usually three elements; a basic fee, a transaction based fee and a fee per hour for additional services. Revenue related to accounting and payroll services are earned when the services have been provided. Revenue is recognized as the services are provided. Work performed, but not yet invoiced, is recognised and capitalised as accrued income. Work invoiced, but not yet performed, is capitalised as deferred revenue.

Revenue from fixed price service agreements
Revenue is recognised as the corresponding work is performed. If the work for the most part is performed on a continuous basis, a linear recognition of revenue over the contract period is applied, unless there is evidence that some other method better represents the stage of completion. Estimated loss on the contracts is recognised immediately when a loss contract is identified.

Revenue from personnel for hire
There are normally two services delivered to the customers; temporary staff contracting services and recruitment services. Agreements on temporary staff services are usually based on delivered hours and net hourly rates. Revenue is recognised in accordance with the delivered hours and realised net hourly rates. At the balance sheet date, work performed but not invoiced are recognised and capitalised as accrued income, while work invoiced but not performed is capitalised as deferred revenue.

Agreements on recruitment services are usually a fixed fee that is cleared in advance with the customer. Revenue is recognised when the recruitment process is finished, and the candidate or service is delivered.

Revenue from hourly based consulting
Revenue from hourly based consulting is recognised when services have been provided. It is based on delivered hours and net hourly rates.

Visma Commerce Solutions

Visma Commerce Solutions provides services related to administration and collection of accounts receivables, factoring, administrative purchasing spend management and tender management.

In Visma Commerce Solutions the most common types of revenue streams are:
- Revenue from procurement pooling services
- Revenue from suppliers
- Revenue from services in administration and collections of accounts receivables
- Revenue from third party's portfolios of loans and receivables

Revenue from procurement pooling services
Revenue from procurement pooling services (SaaS solutions) has two components – an up-front payment to cover the licence and set-up fee, and an ongoing service fee to cover hosting. Visma recognize the portion of the fee related to the licence and set-up on delivery, with the portion of the fee related to the hosting element being recognized on a straight-line basis over the contract period as the service is provided. If the two components cannot be separated, the license fee is recognized as earned over the contract period (normally on a straight-line basis).

Revenue from suppliers
Agreements with the suppliers in the purchasing pool are defined with a kick-back bonus according to sales volume to customers. These bonuses are recognised as revenue when earned.

Revenue from services in administration and collections of accounts receivables
Agreements regarding services in administration of accounts receivables are usually based on a transaction fee. Revenue is normally recognized as they are performed based upon transactions handled and hours used.

Revenue from surveillance portfolios are based on specific agreements with clients and normally include a predefined percentage of payments made by the debtor. Such income is recognised when Visma receives

payment from the underlying debtor. In addition the agreements normally include a predefined percentage of the delayed payment fee.

Revenue related to issuance of payment reminders and debt collection on behalf of customers is normally being recognized when the debtor has made a payment and thus the fee is earned. An accrual is also made for debt collection fee based on ongoing debt collection matters.

In some countries revenues related to debt collection services is based on policies issued by the local regulators.

Visma Retail

Visma Retail provides complete turn-key solutions for the Retail market, retail as a service. The product offering includes point-of-sales (POS) solutions, supply-chain management solutions, installation and field-service, support, consultancy and hosting of servers.

In Visma Retail the most common types of revenue streams are:

- Licence fees
- Hardware sale
- Revenue from on-sight services, hosting and consulting services
- Revenue from maintenance agreements
- Revenue from support agreements

Licence fees
Licence fees related to software is recognized as revenue when the software is delivered. Reference is also made to the above description concerning Visma Software.

Hardware sales
Revenue related to hardware acquired in from third party's is earned when the hardware is delivered and the control has been transferred to the customer.

Revenue from on-sight services, hosting and consulting services
Revenue from services provided in connection with the supply of standard software and other hosting and consulting services is recognized when the services are performed. These services include installation, on-sign services, implementation, reporting and database building, hosting of servers and consulting services etc.

Revenue from maintenance agreements
Revenue from fixed price maintenance agreements is recognized on a straight-line basis over the maintenance period. Reference is also made to the above description concerning Visma Software.

Revenue from support agreement
Revenue from support agreements is recognised when the support is performed. Fixed price support contracts are recognized on a straight-line basis over the support period.

Visma Consulting

Visma Consulting provides IT and consultancy services, as development and project management, application management, automated workflow management and case processing solutions as well as system development and system integration.

In Visma Consulting the most common types of revenue streams are:

- Revenue from hourly based agreements
- Revenue from fixed price agreements
- Revenue from maintenance agreements

Revenue from hourly based agreements
Hourly based agreements are defined with a fee per hour, and are usual small projects. Revenue related to project and consulting is earned when the services have been provided. At the balance sheet date work performed, but not yet invoiced, is recognised and capitalised as accrued income. Work invoiced, but not yet performed, is capitalised as deferred revenue.

Revenue from fixed price service agreements

Fixed price service agreements are usually larger projects. They are based on fixed fee or max and min fee and sometimes a defined target fee. As revenue from hour-based agreements, the revenue from fixed price agreements are also earned when the services have been provided.

Some fixed price service contracts will be invoiced upfront. The payment is capitalised as prepayments from customers and the revenue is recognised as the corresponding work is performed. If the work for the most part is performed on a continuous basis, a linear recognition of revenue over the contract period can be justified, unless there is evidence that some other method better represents the stage of completion. An estimated loss is accounted for immediately when a loss contract is identified.

Revenue from maintenance agreements
Revenue from fixed price maintenance agreements is recognized on a straight-line basis over the maintenance period. Advance payments are recognized as a liability (deferred revenue) in the balance sheet.

Visma Hosting

Visma Hosting delivers packages of domains and web hosting services, mainly to the SMB market.

In Visma Hosting the most common types of revenue streams are:

- Revenue from sale of domains
- Revenue from sale of web hosting services

Revenue from sale of domains and web hosting services are charged annually and recognised on a straight line basis over the contract period, usually 12 months. Advance payments are recognized as a liability (deferred revenue) in the balance sheet.

Other types of revenues within the Group

Interest income

Revenue is recognised as interest accrues (using the effective interest method). Interest income is included in finance revenue in the income statement.

Dividends

Dividend is recognised in the income statement when the shareholders' right to receive dividend has been determined by the general meeting.

Pensions

The Group have pension schemes where the company's commitment is to contribute to the individual employee's pension scheme (contribution plans). Contributions paid to the pension plans are expensed.

Income tax

The tax expense consists of the tax payable and changes to deferred tax.

Tax payable

Taxes payable assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.
Taxes payable are recognised directly in equity to the extent that they relate to equity transactions.

Deferred taxes

Deferred income tax is provided using the liability method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred taxes are recognised directly in equity to the extent that they relate to equity transactions.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Property and equipment

Property and equipment acquired by Group companies are stated at historical cost, except the assets of acquired subsidiaries that were stated at the fair values at the date of acquisition. Depreciation is charged on a straight-line basis over the estimated useful life of the assets. The amount to be depreciated is the carrying amount less the asset’s residual value.

Useful life and residual value are reviewed at least annually and reflect the pattern in which the benefits associated with the asset are consumed. A change in the useful life or depreciation method is accounted for prospectively as a change in accounting estimate.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Ordinary repair and maintenance (day-to-day servicing) of tangible assets is recorded as an operating cost, whereas improvements are capitalised and depreciated over its useful life. An item of property and equipment is derecognised upon disposal or when no future economics benefits are expected to arise from the continued use of the asset. Gains or losses on the sale or disposal of fixed assets are recorded as other operating revenues or other operating costs respectively in the year the item is derecognised.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where

the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of property and equipment is the greater of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in the income statement.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as interest cost.

Inventories

Inventories are valued at the lower of cost and net realisable value. The original cost of purchased goods is the purchase price and is based on the FIFO principle. The original cost of work in progress and own manufactured goods are the direct cost of production plus a share of the indirect cost of production based on normal operating capacity but excluding borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Inventories are reduced for estimated obsolescence.

Trade receivables

Trade receivables are recognised at their cost minus any write downs.

Cash and cash equivalents

Cash and cash equivalents comprise bank deposits, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Restricted cash is included as cash and cash equivalents. Bank overdrafts are included within borrowings in current liabilities on the statement of financial position.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net outstanding bank overdraft.

Earnings per share

Earnings per share is calculated by dividing the majority shareholders share of the profit/loss for the period by the weighted average number of ordinary shares outstanding over the course of the period. When calculating diluted earnings per share, the average number of shares outstanding is adjusted for all share options that have a potential dilutive effect. Options that have a dilutive effect are treated as shares from the date they are issued.

Leases

Finance leases, which transfer to the Group substantially all the risk and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if

lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Cash flow

The cash flow statement has been drawn up in accordance with the indirect method and report cash flows during the period classified by operating, investing and financing activities. Cash and cash equivalents consist of cash and cash equivalents as defined under cash and cash equivalents, net outstanding bank overdraft.

Investment in an associate

The Group's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of profit of associates is shown on the face of the income statement. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associate are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate’ and its carrying value and recognises the amount in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investments at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

Interests in joint ventures

The Group’s interest in joint ventures is accounted for using the equity method of accounting from the date when joint control is achieved and until joint control ceases.

A joint venture is an activity over which the Group has joint control through a contractual agreement between the parties. A jointly controlled enterprise involves the creation of a separate entity in which each of the parties has its ownership interest and which is under joint control.

Financial instruments

In accordance with IAS 39, *Financial instruments: Recognition and measurement*, financial instruments within the scope of IAS 39 are classified in the following categories: at fair value with changes in value through profit or loss, loans and receivables, available-for-sale financial assets and other liabilities.

Financial assets with fixed or determinable cash flows that are not quoted in an active market are classified as loans and receivables.

Financial liabilities that do not form part of the held for trading purposes category and which have not been designated as being at fair value with changes in value through profit or loss are classified as other liabilities.

Financial instruments that are held to maturity are included in fixed asset investments unless the redemption date is less than 12 months after the balance sheet date. Financial instruments in the held for trading purposes group are classified as current assets. Financial instruments that are available for sale are presented as current assets if the management has decided to sell the instrument within the 12-month period following the balance sheet date.

Investments that are held to maturity, loans and receivables and other liabilities are recognised at their amortised cost using the effective interest method.

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified. Financial instruments that are classified as available for sale and held for trading purposes are recognised at their fair value, as observed in the market on the balance sheet date, without deducting costs linked to a sale.

The gain or loss resulting from changes in the fair value of financial investments that are classified as available for sale is recognised in other comprehensive income. When the investment is sold, the accumulated gain or loss on the financial instrument that has previously been recognised in other comprehensive income is reversed and the gain or loss is recognised in the income statement.

Changes in the fair value of financial instruments classified as held for trading purposes or designated as being at fair value with changes in value through profit or loss are recognised in the income statement and presented as a financial income/expense.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as interest rate swaps to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The Group's criteria for classifying a derivative or other financial instrument as a hedging instrument are as follows:

(1) the hedge is expected to be very effective in that it counteracts changes in the fair value of or cash flows to an identified asset - a hedging efficiency of 80-125% is expected,
(2) the effectiveness of the hedge can be reliably measured,
(3) there is adequate documentation when the hedge is entered into that the hedge is effective, among other things,
(4) for cash-flow hedges, the forthcoming transaction must be probable, and
(5) the hedge is evaluated regularly and has proven to be effective.

<u>Cash-flow hedges</u>

The effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the income statement in other operating expenses.

Amounts recognized as other comprehensive income are transferred to the income statement when hedged transaction affects profit or loss, such as when the hedged income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial assets or non-financial liability, the amounts recognized as other comprehensive income are transferred to the initial carrying amount of the non-financial assets or liability.

For cash-flow hedges other than those mentioned above, associated accumulated gains and losses are reclassified from equity to the income statement during the same period(s) as the hedged expected transaction affects the profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the enterprise cancels the hedging relationship despite the fact that the hedged transaction is still expected to take place, the accumulated gains or losses at that time remain in equity and are recognised in the income statement in accordance with the above guidelines when the transaction takes place.

Should the hedging relationship no longer meet the criteria for hedge accounting as specified above, accumulated gains and losses that are recognised in equity up to this date remain in equity and are recognised in the income statement in accordance with the above guidelines when the transaction takes place.

If the hedged transaction is no longer expected to take place, accumulated unrealised gains or losses on the hedging instrument that have previously been recognised directly in equity are recognised in the income statement immediately.

Equity

Equity and liabilities

Financial instruments are classified as liabilities or equity in accordance with the underlying economical realities.

Interest, dividend, gains and losses relating to a financial instrument classified as a liability will be presented as an expense or income. Amounts distributed to holders of financial instruments that are classified as equity will be recorded directly in equity.

Costs of equity transactions

Transaction costs directly related to an equity transaction are recognised directly in equity after deducting tax expenses.

Other equity

(a) Reserve

This reserve contains the total net increase in the fair value of non-current assets that have been revalued at an amount which exceeds their cost. The reserve also contains total net changes in the fair value of financial instruments classified as available for sale until the investment has been sold or it has been determined that the investment is of no value.

(b) Translation differences

Translation differences arise in connection with exchange-rate differences of consolidated foreign entities.

Exchange-rate differences in monetary amounts (liabilities or receivables) which are in reality a part of a company's net investment in a foreign entity are also included as translation differences.

If a foreign entity is sold, the accumulated translation difference linked to the entity is reversed and recognised in the income statement in the same period as the gain or loss on the sale is recognised.

Adoption of new and revised accounting standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the following amendments to IFRS effective as of 1 January 2012:.

- IAS 12 Income Taxes *(amendment) – Deferred Taxes: Recovery of underlying assets*
- IFRS 1 First-Time Adoption of International Financial Reporting Standards *(amendment) – severe Hyperinflation and Removal of Fixed Dates for First-Time adopters*
- IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements

The Group has not early adopted any Standards or Interpretations in 2012. These amendments have had no effect on the Group's financial position, performance or its disclosures.

Approved IFRSs and IFRICs with future effective dates

Standards and interpretations that are issued up to the date of issuance of the consolidated financial statements, but not yet effective are disclosed below. The Group's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the consolidated financial statements are issued.

The Group anticipates that all of the below Standards, amendments and Interpretations will be adopted in the Group's financial statements for the period commencing 1 January 2013 or after and that the adoption of those Interpretations will have no material impact on the financial statements of the Group in the period of initial application:

IAS 1 Presentation of Financial Statements

The amendments to IAS 1 imply that the items presented in other comprehensive income (OCI) shall be grouped in two categories. Items that could be reclassified to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net gain or loss on available-for-sale financial assets) shall be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans). The amendments affect the presentation only and have no impact on the Group's financial position or performance. The amendments become effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Group's first annual report after becoming effective.

IAS 12 Income Taxes

The amendment clarifies the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 shall be determined on the basis that its carrying amount will be recovered through sale. The presumption can be rebutted if two specific criteria have been met. The amendment also includes an implementation of SIC 21 – Income Taxes – Recovery of Revalued Non-depreciable Assets stating that deferred tax on non-depreciable assets measured using to the revaluation model in IAS 16 Property, Plant and Equipment shall always be measured on a sale basis. Within the EU/EEA area, the amendments are effective for annual periods beginning on or after 1 January 2013.

IAS 19 Employee Benefits

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. Removing the corridor mechanism implies that actuarial gains and losses shall be recognised in other comprehensive income (OCI) in the current period. The amendments to IAS 19 will impact the net benefit expense, as the expected return on plan assets will be calculated using the same interest rate as applied for the purpose of discounting the benefit obligation.

The amendments are effective for accounting periods beginning on or after 1 January 2013.

IAS 28 Investment in Associates and Joint Ventures

As a consequence of the new standards IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates has been renamed IAS 28 Investment in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. Within the EU/EEA area, the amendments are effective for annual periods beginning on or after 1 January 2014.

IAS 32 Financial Instruments: Presentation

IAS 32 is amended in order to clarify the meaning of "currently has a legally enforceable right to set-off" and the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are effective for annual periods beginning on or after 1 January 2014.

IFRS 7 Financial Instruments: Disclosures

The amendments imply that entities are required to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting agreements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of IASB's work on the replacement of IAS 39 and applies to the classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for accounting periods beginning on or after 1 January 2013, but amendments to IFRS 9 issued in December 2011 moved the mandatory effective date to 1 January 2015. Subsequent phases of this project will address hedge accounting and impairment of financial assets.

The Group will evaluate potential effects of IFRS 9 in accordance with the other phases as soon as the final standard, including all phases, is issued.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. As a result, the Group has evaluated the entities to be consolidated pursuant to IFRS 10 and compared with the requirements of the current IAS 27.

Within the EU/EEA area, IFRS 10 is effective for annual periods starting on or after 2014.

IFRS 11 Joint Arrangements

This standard replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entitites – Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. All entities meeting the definition of a joint venture must be accounted for using the equity method. Within the EU/EEA area, IFRS 11 is effective for annual periods beginning on or after 1 January 2014.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 applies for enterprises with interests in subsidiaries, joint arrangements, associates and structured entities. IFRS 12 replaces the disclosure requirements that were previously included in IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures. A number of new disclosures are also required, but has no impact on the Group's financial position or performance. Within the EU/EEA area, IFRS 12 is effective for annual periods beginning on or after 1 January 2014.

IFRS 13 Fair Value Measurement

The standard establishes a single source of guidance under IFRS for all fair value measurements, i.e., for requirements of all standards related to measuring fair value for assets and obligations. IFRS 13 is effective for annual periods beginning on or after 1 January 2013.

Annual Improvements 2009-2011

IAS 1 Presentation of Financial Statements

The amendments to IAS 1 clarify the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the presentation of the previous period's comparative information will meet the minimum requirements. The amendments have no impact on the Group's financial position or performance and are effective for annual periods beginning on or after 1 January 2013, but the EU has not yet approved the amendments.

IAS 16 Property, Plant and Equipment

The amendment clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory. The amendment is effective for annual periods beginning on or after 1 January 2013, but has not yet been approved by the EU.

IAS 32 Financial Instruments: Presentation

The amendment clarifies that income taxes arising from distributions to equity holders shall be accounted for in accordance with IAS 12 Income Taxes. The amendment is effective for annual periods beginning on or after 1 January 2013, but has not yet been approved by the EU.

Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognised in the consolidated financial statements:

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing faire values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported faire value of financial instruments.

Events after the balance sheet date

New information on the company's financial position on the statement of financial position which becomes known after the balance sheet date and which provides evidence of conditions that existed at the balance sheet date is recorded in the annual accounts. Events after the balance date sheet date that are indicative of conditions that arose after the balance sheet date and that do not affect the company's financial position on the statement of financial position but which will affect the Company's financial position in the future are disclosed if significant.