

Annual report 2019

Annual accounts

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Auditors' report

Income statement

	Note	2019	2018
Revenue			
Sales revenue		<u>525 391</u>	<u>814 214</u>
Operating expenses			
Payroll expenses	5	1 607 604	807 632
Other operating expenses	5	<u>1 163 765</u>	<u>883 275</u>
Total operating expenses		<u>2 771 370</u>	<u>1 690 907</u>
Operating result		<u>-2 245 978</u>	<u>-876 693</u>
Financial income and expenses			
Other financial income	7	457 729	1 240 944
Write-down on other financial assets	6, 7	8 020 546	59 132
Other financial expenses	7	<u>8 577</u>	<u>114 066</u>
Net financial items		<u>-7 571 393</u>	<u>1 067 746</u>
Ordinary result before tax		<u>-9 817 372</u>	<u>191 053</u>
Tax on ordinary result	9	<u>-51 824</u>	<u>51 824</u>
Net profit or loss for the year		<u>-9 765 548</u>	<u>139 229</u>
Allocated as follows			
Transferred to other equity	3	<u>-9 765 548</u>	<u>139 229</u>

Balance sheet as of December 31

	Note	2019	2018
Fixed assets			
<i>Financial assets</i>			
Investments in subsidiaries	6	10 261 873	11 558 015
Loans to group companies	8	11 113 354	13 811 346
Loans to associated companies and joint ventures	8	0	477 867
Investments in shares and units		<u>1 359 256</u>	<u>1 183 585</u>
Total financial assets		<u>22 734 483</u>	<u>27 030 813</u>
Total fixed assets		<u>22 734 483</u>	<u>27 030 813</u>
Current assets			
<i>Receivables</i>			
Trade receivables		130 750	14 750
Other receivables		<u>198 462</u>	<u>235 300</u>
Total accounts receivable		<u>329 212</u>	<u>250 050</u>
Cash and cash equivalents	10	<u>2 018 489</u>	<u>897 093</u>
Total current assets		<u>2 347 701</u>	<u>1 147 143</u>
Total assets		<u>25 082 184</u>	<u>28 177 956</u>

Balance sheet as of December 31

	Note	2019	2018
Equity			
<i>Paid-in capital</i>			
Share capital	2, 3	4 744 200	4 194 900
Share premium reserve	3	29 500 159	23 457 860
Total paid-in capital		<u>34 244 359</u>	<u>27 652 760</u>
<i>Retained earnings</i>			
Other equity	3	-9 626 319	139 229
Total retained earnings		<u>-9 626 319</u>	<u>139 229</u>
Total equity		<u>24 618 039</u>	<u>27 791 988</u>
Liabilities			
<i>Provisions</i>			
Pension liabilities	5	101 977	4 000
Deferred tax liability	9	0	51 824
Total provisions		<u>101 977</u>	<u>55 824</u>
<i>Current liabilities</i>			
Trade creditors		119 926	157 677
Public duties payable	10	86 476	35 100
Other short-term liabilities		155 765	137 366
Total current liabilities		<u>362 167</u>	<u>330 143</u>
Total liabilities		<u>464 144</u>	<u>385 967</u>
Total equity and liabilities		<u>25 082 184</u>	<u>28 177 955</u>

Kristiansand, 25 May 2020

Pontus Engstrøm
CEO

Trond Randøy
Chairman

Bo Christer Wizelius Käck
Board member

Per Adam Kristofer Lind
Board member

Notes to the accounts for 2019

Note - 1 Accounting Principles

The annual report is prepared according to the Norwegian Accounting Act and generally accepted accounting principles for small companies.

Subsidiaries and investment in associate

Subsidiaries and investments in associate are valued by the cost method in the company accounts. The investment is valued as cost of acquiring shares in the subsidiary, providing that write down is not required. Write down to fair value will be carried out if the reduction in value is caused by circumstances which may not be regarded as incidental, and deemed necessary by generally accepted accounting principles. Write downs are reversed when the cause of the initial write down are no longer present.

Sales revenue

Sales revenues are recognized at the time of delivery. Revenue from services are recognized at execution. The share of sales revenue associated with future services are recorded in the balance sheet as deferred sales revenue, and are recognized at the time of execution.

Balance sheet classification

Net current assets comprise creditors due within one year, and entries related to goods circulation. Other entries are classified as fixed assets and/or long term creditors.

Current assets are valued at the lower of acquisition cost and fair value. Short term creditors are recognized at nominal value.

Fixed assets are valued by the cost of acquisition, in the case of non incidental reduction in value the asset will be written down to the fair value amount. Long term creditors are recognized at nominal value.

Trade and other receivables

Trade receivables and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful debts. Provisions for doubtful debts are calculated on the basis of individual assessments. In addition, for the remainder of accounts receivables outstanding balances, a general provision is carried out based on expected loss.

Foreign currency translation

Foreign currency transactions are translated using the year end exchange rates.

Income tax

Tax expenses in the profit and loss account comprise both tax payable for the accounting period and changes in deferred tax. Deferred tax is calculated at 22 percent on the basis of existing temporary differences between accounting profit and taxable profit together with tax deductible deficits at the year end. Temporary differences both positive and negative, are balance out within the same period. Deferred tax assets are recorded in the balance sheet to the extent it is more likely than not that the tax assets will be utilized.

To the extent group contribution is not registered in the profit and loss, the tax effect of group contribution is posted directly against the investment in the balance.

Notes to the accounts for 2019**NOTE 2 - SHARE CAPITAL AND SHAREHOLDER INFORMATION**

Share capital:

	Number of shares	Face value	Book value
Ordinary shares	15 814	300 kr	4 744 200

Main shareholders per 31.12:

	Ordinary shares	Ownership share
Sørlandsforskning AS, 1)	4 367	27,61 %
ADB Invest AB	1 200	7,59 %
Pontus Engstrøm	1 052	6,65 %
Egahult Invest AB	550	3,48 %
Sofia Lindeborg	500	3,16 %
Heracleum AB	500	3,16 %
Christer Käck AB	370	2,34 %
Gunnar Isaksson	342	2,16 %
Lunde Holding Invest AS	330	2,09 %
Øyvind Randøy	290	1,83 %
BJO Invest AS	280	1,77 %
Vallenus AS	280	1,77 %
Hennig-Olsen Holding AS	277	1,75 %
AB Argonova	250	1,58 %
Rylanderska Stiftelsen	214	1,35 %
Scenario Invest AS	200	1,26 %
POHO AS	200	1,26 %
Levi Geir Eidhamar	200	1,26 %
Lars Orest	150	0,95 %
Kerim Kaskal	150	0,95 %
Total	11 702	73,97 %
Other (less than 5% ownership)	4 112	26,00 %
Total number of shares	15 814	100,00 %

1) The Chairman of MTI Investment AS is the sole owner of Sørlandsforskning AS.

Notes to the accounts for 2019
NOTE 3 - EQUITY

	Share Capital	Share Premium	Other Equity	Total Equity
Equity 01.01.	4 194 900	23 457 860	139 230	27 791 990
Profit for the year	0	0	-9 765 548	-9 765 548
Cash contribution no. 1 2019	295 800	3 253 800	0	3 549 600
Debt converted to share cap. no. 1	5 700	62 700	0	68 400
Non-cash contribution	96 600	1 062 600	0	1 159 200
Cash contribution no. 2 2019	133 200	1 465 200	0	1 598 400
Debt converted to share cap. no. 2	18 000	198 000	0	216 000
Equity 31.12.	4 744 200	29 500 160	-9 626 318	24 618 042

NOTE 4 - MORTGAGES AND GUARANTEES

<i>Guarantee commitments</i>	2019	2018
Collaterals offered to Zanrec AB (SEB)	0	48 346
Guarantee commitments offered to Zanrec AB (Almi)	141 500	96 691
Guarantee commitments offered to Atsoko Int. AB (Almi)	0	72 518
Guar. comm. offered to Ecohomes (CSK Research Sol Ltd)	1 320 340	0
Guar. comm. offered to Stichting DOB Equity 1)	1 277 750	0
Total guarantee commitments	<u>2 739 590</u>	<u>217 555</u>

The guarantee commitments above are converted to NOK as per 31.12.19 exchange rates.

1) As part of Stichting DOB Equity becoming a shareholder in Zanrec AB during the spring of 2019, MTI Investment AS has offered a guarantee commitment of maximum USD 125,000.

NOTE 5 - PERSONNEL EXPENSES, NUMBER OF EMPLOYEES, REMUNERATION, AUDITOR'S FEE

<i>Labour Costs:</i>	2019	2018
Wages	1 219 039	612 626
Social security costs	47 071	79 491
Pension expenses	97 977	48 446
Other personnel related expenses	762	18 208
Social security costs paid in Sweden	242 756	48 862
Total	<u>1 607 605</u>	<u>807 633</u>

The total number of employees in the company during the year: 2 labour year.

The company is required to have an occupational pension program in accordance with the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon"). The company's pension scheme meets the requirements of that law.

Notes to the accounts for 2019*Management remuneration*

	CEO	Board of Directors
Salary	840 000	40 000
Pension expenses	84 000	0
Other remuneration	2 928	0

CEO has an agreement regarding severance pay equal to his salary the past 12 months. In addition his pension scheme is based on 10% of his gross salary. The CEO receive 71% of his salary in cash and the remaining 29% is salary payable, whereby the CEO has the right to convert this salary payable in capital contributions. As of December 31, 2019 the salary payable is 138 965 kr.

<i>Fees to auditors (excl. VAT):</i>	2019	2018
Audit fee	60 500	50 700
Fees for non-audit services	18 600	51 800
Other confirmations	34 300	0

Notes to the accounts for 2019

NOTE 6 - INVESTMENT IN SUBSIDIARIES

Company	Acquisition		Share owne rs	Net profit	Equity	Book value
	year	Location		2019	31.12	31.12
MTI Investment LTD (1)	2014	Tanzania	99 %	-65 622	5 994 840	0
Atsoko International AB (2)	2015	Sweden	67 %	-3 951 040	4 646 310	4 906 235
Zanrec AB	2015	Sweden	70 %	228 450	4 256 170	5 274 135
African Construction AS (3)	2016	Norway	100 %	-16 448	-38 986	30 000
East African Food AB (4)	2017	Sweden	100 %	-7 274	32 098	51 502
Total				-3 811 934	14 890 432	10 261 872

All amounts above converted to NOK as per exchange rates per December 31, 2019.

(1) The book value of the shares in MTI Investment LTD has been written down to NOK 0 as of December 31, 2019.

(2) The book value of the shares in Atsoko International AB has been written down by 1/3 as of December 31, 2019.

(3) African Construction AS owns 45,4% of Ecohomes Company Ltd.

(4) East African Food AB owns 20% of Shambani Milk

NOTE 7 - FINANCIAL INCOME AND FINANCIAL COSTS

	2019	2018
<i>Financial income</i>		
Interest received from Group companies	398 328	683 453
Foreign exchange gain (net)	4 066	556 815
Other interest income	55 335	677
	<u>457 729</u>	<u>1 240 945</u>
<i>Financial expenses - impairments</i>		
Impairment of shares in subsidiaries	5 055 002	800 000
Current year reversal of previous impairment in associated companies	0	-740 868
Impairment of loans/accrued interests/agio	2 965 544	0
	<u>8 020 546</u>	<u>59 132</u>
<i>Other financial expenses</i>		
Foreign exchange loss (net)	6 969	110 954
Other financial expenses	1 607	3 112
	<u>8 576</u>	<u>114 066</u>

Notes to the accounts for 2019**NOTE 8 - RECEIVABLES / LIABILITES GROUP COMPANIES**

<i>Long-term loans to subsidiaries</i>	2019	2018
Loan to MTI Investment LTD (1)	3 299 782	5 174 500
Loan to African Construction AS (2)	4 181 331	3 213 464
Loan to Atsoko International AB (3)	1 714 920	1 548 980
Loan to East African Food AB (4)	1 917 321	1 862 830
Loan to Zanrec AB	0	2 011 572
Total long-term loans to subsidiaries	<u>11 113 354</u>	<u>13 811 346</u>

(1) The loan is calculated with interest 7%. No guarantees or pledges have been issued on the loan.

(2) The loan is not calculated with interest in 2019. Interest rate will be 2% from 2020 onwards. No guarantees or pledges have been issued on the loan.

(3) The loan is calculated with interest 5%. No guarantees or pledges have been issued on the loan.

(4) The loan is calculated with interest 5%. No guarantees or pledges have been issued on the loan.

<i>Long-term loans to associated companies</i>	2019	2018
Loan to Ecohomes Campany LTD	0	477 867

Notes to the accounts for 2019
NOTE 9 - INCOME TAXES

<i>Income tax expenses</i>	2019	2018
This years tax effect of change in tax rate	0	
Change in deferred tax	-51 824	51 824
Total income tax expense	<u>-51 824</u>	<u>49 468</u>

<i>Tax base estimation</i>	2019	2018
Ordinary result before tax	-9 817 372	191 054
Permanent differences	0	698
Impairment of shares and intercompany receivables	8 020 546	59 132
Temporary differences	-10 853	-319 614
Tax base	<u>-1 807 679</u>	<u>-68 730</u>

<i>Temporary differences outlined</i>	2019	2018
Unrealized currency loans	815 836	804 983
Total	<u>815 836</u>	<u>804 983</u>
Impairment of shares outside tax exemption method (MTD Investment Ltd.)	-2 605 002	0
Accumulated tax loss carried forward	-2 377 100	-569 421
Temporary differences	-4 166 266	235 562
Offset temporary differences	-4 166 266	0
Total	<u>0</u>	<u>235 562</u>

Deferred income tax liability (22%)	0	51 824
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<i>Effective tax rate</i>	2019
Expected income taxes, statutory tax rate 22%	-2 159 822
Change in deferred tax asset not recorded in balance sheet	916 579
Tax effect related to change in deferred tax asset on impairment outside exemption	-573 100
Permanent differences (22%)	<u>1 764 520</u>
Income tax expense	<u>-51 823</u>

0,5 %

NOTE 10 - BANK DEPOSIT

Bank deposit related to employees' taxes withheld	2019 4 886
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Notes to the accounts for 2019

NOTE 11 - SUBSEQUENT EVENTS

In March 2020, the outbreak of the COVID-19 virus was declared a global pandemic by the World Health Organization (WHO). Norway, together with many other countries, has taken national emergency measures in an effort to limit the spread of the virus, including extensive quarantine and travel restrictions.

The company assesses necessary measures on an ongoing basis. The outbreak of the COVID-19 virus is expected to have a significant negative impact on the economy in Tanzania and could therefore also affect the company in 2020. During March / April 2020, we began to see early effects of Corona in the subsidiaries. Atsoko has seen a decline in sales and measures have been taken to cut costs and ensure the company's survival. The product range is adjusted to better meet new needs, such as hand sanitizer spray and soap. For Zanrec, which works with waste management, the tourism industry in Zanzibar has been significantly reduced. This in turn have reduced the need for Zanrec's services. Ecohomes, a subsidiary of African Construction AS, is minimal affected by Corona and Shambani Milk, a subsidiary of East African Food AB, is relatively solid for the time being.

The financial impact for the company is uncertain as the duration of the pandemic cannot be reliably estimated. However, the company has sufficient equity, financing and liquidity. In March 2020, a capital contribution of 9 187 200 kr in cash was completed which further improves equity and liquidity.

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Pontus Engström

CEO

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IP: 91.190.xxx.xxx

2020-05-20 15:31:31Z



Bo Christer Wizelius Käck

Board member

Serienummer: 19530605xxxx

IP: 217.213.xxx.xxx

2020-05-20 22:07:57Z



Trond Randøy

Chairman

Serienummer: 9578-5997-4-560046

IP: 89.11.xxx.xxx

2020-05-23 13:02:08Z



KRISTOFER LIND

Board member

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