

# Glova Rail A/S

Sivlandsvænget 1 D, Hjallesø, 5260 Odense S, Denmark

CVR no. 10 12 02 68



## Annual report 2016

Approved at the annual general meeting of shareholders on 20 April 2017

Chairman:



Building a better  
working world



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## Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Glova Rail A/S for the financial year 1 January - 31 December 2016.

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

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

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

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

Odense, 20 April 2017  
Executive Board:



Horst Kirchner

Board of Directors:



Horst Kirchner



Ole Lind Rasmussen



Andrew P. Flinn



Lars Genild

## Independent auditor's report

To the shareholders of Glova Rail A/S

### Opinion

We have audited the financial statements of Glova Rail A/S for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Management's responsibilities for the financial statements

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

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

### Auditor's responsibilities for the audit of the financial statements

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

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

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.



## Independent auditor's report

- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Statement on Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Odense, 20 April 2017

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Lars Koch-Pedersen

State Authorised Public Accountant

## Management's review

### Company details

Name	Glova Rail A/S
Address, Postal code, City	Sivlandsvænget 1 D, Hjallesø, 5260 Odense S, Denmark
CVR no.	10 12 02 68
Registered office	Odense
Financial year	1 January - 31 December
Telephone	+45 66 19 00 55
Board of Directors	Horst Kirchner Ole Lind Rasmussen Andrew P. Flinn Lars Genild
Executive Board	Horst Kirchner
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Englandsvej 25, P O Box 200, 5100 Odense C, Denmark

## **Management's review**

### **Management commentary**

#### **Business review**

The Company is primarily engaged in designing technical solutions, servicing and selling systems and components to the railroad industry.

#### **Financial review**

The income statement for 2016 shows a profit of DKK 9,781,433 against DKK 6,569,587 last year, and the balance sheet at 31 December 2016 shows equity of DKK 25,054,730. Management considers the Company's financial performance in the year satisfactory.

#### ***Non-financial matters***

#### **Events after the balance sheet date**

No significant events have occurred subsequent to the financial year.

## Financial statements for the period 1 January - 31 December

### Income statement

Note	DKK	<u>2016</u>	<u>2015</u>
	Gross margin	21,170,602	16,416,946
2	Staff costs	-8,343,983	-7,618,125
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	<u>-236,729</u>	<u>-217,132</u>
	Profit before net financials	12,589,890	8,581,689
3	Financial income	154,578	125,455
	Financial expenses	<u>-199,256</u>	<u>-113,885</u>
	Profit before tax	12,545,212	8,593,259
	Tax for the year	<u>-2,763,779</u>	<u>-2,023,672</u>
	Profit for the year	<u>9,781,433</u>	<u>6,569,587</u>
	<b>Recommended appropriation of profit</b>		
	Proposed dividend recognised under equity	8,300,000	5,000,000
	Retained earnings	<u>1,481,433</u>	<u>1,569,587</u>
		<u>9,781,433</u>	<u>6,569,587</u>



## Financial statements for the period 1 January - 31 December

### Balance sheet

Note	DKK	<u>2016</u>	<u>2015</u>
	<b>ASSETS</b>		
	<b>Fixed assets</b>		
	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	323,763	260,165
	Leasehold improvements	339,427	0
		<u>663,190</u>	<u>260,165</u>
	<b>Total fixed assets</b>	<u>663,190</u>	<u>260,165</u>
	<b>Non-fixed assets</b>		
	<b>Inventories</b>		
	Finished goods and goods for resale	5,468,220	7,103,184
		<u>5,468,220</u>	<u>7,103,184</u>
4	<b>Receivables</b>		
	Trade receivables	6,287,484	5,955,925
	Receivables from group entities	181,608	454,016
	Deferred tax assets	481,287	125,753
	Other receivables	649,466	654,053
	Deferred income	158,187	95,122
		<u>7,758,032</u>	<u>7,284,869</u>
	<b>Cash</b>	<u>16,113,300</u>	<u>10,169,036</u>
	<b>Total non-fixed assets</b>	<u>29,339,552</u>	<u>24,557,089</u>
	<b>TOTAL ASSETS</b>	<u>30,002,742</u>	<u>24,817,254</u>

## Financial statements for the period 1 January - 31 December

### Balance sheet

Note	DKK	2016	2015
	<b>EQUITY AND LIABILITIES</b>		
	<b>Equity</b>		
	Share capital	500,000	500,000
	Retained earnings	16,254,730	14,773,297
	Dividend proposed for the year	8,300,000	5,000,000
	<b>Total equity</b>	<b>25,054,730</b>	<b>20,273,297</b>
	<b>Provisions</b>		
	Other provisions	1,480,490	300,000
	<b>Total provisions</b>	<b>1,480,490</b>	<b>300,000</b>
	<b>Liabilities</b>		
	<b>Current liabilities</b>		
	Prepayments received from customers	0	627,628
	Trade payables	1,487,191	1,886,224
	Joint taxation contribution payable	537,796	433,445
	Other payables	1,442,535	1,296,660
		<b>3,467,522</b>	<b>4,243,957</b>
	<b>Total liabilities other than provisions</b>	<b>3,467,522</b>	<b>4,243,957</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>30,002,742</b>	<b>24,817,254</b>

- 1 Accounting policies
- 5 Contractual obligations and contingencies, etc.
- 6 Collateral



## Financial statements for the period 1 January - 31 December

### Statement of changes in equity

DKK	<u>Share capital</u>	<u>Retained earnings</u>	<u>Dividend proposed for the year</u>	<u>Total</u>
Equity at 1 January 2016	500,000	14,773,297	5,000,000	20,273,297
Transfer, see "Appropriation of profit"	0	1,481,433	8,300,000	9,781,433
Dividend distributed	0	0	-5,000,000	-5,000,000
Equity at 31 December 2016	<u>500,000</u>	<u>16,254,730</u>	<u>8,300,000</u>	<u>25,054,730</u>

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Glova Rail A/S for 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

#### Changes in accounting policies

Effective 1 January 2016, the Company has adopted act no. 738 of 1 June 2015. This implies the following changes in the recognition and measurement:

1. In future, residual values of property, plant and equipment will be subject to annual reassessment. The change is made with future effect only as a change in accounting estimates with no impact on equity.

Apart from the above changes in accounting policy and new and changed presentation and disclosure requirements, which follow from act. no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

### Income statement

#### Revenue

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

#### Gross margin

With reference to section 32 of the Danish Financial Statements Act, the items 'Revenue', 'Cost of sale', 'Other external expenses' and 'Other operating income' are consolidated into one item designated 'Gross profit'.

#### Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

#### Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

#### Depreciation

The item comprises depreciation of property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

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

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Financial income and expenses include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

##### Balance sheet

##### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

##### Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

##### Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

##### Prepayments

Prepayments (recognised under 'Assets') comprise prepaid expenses regarding subsequent financial years.

##### Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Equity

###### *Proposed dividends*

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

##### Provisions

Provisions comprise expected expenses relating to guarantee commitments, losses on work in progress, restructurings etc. Provisions are recognised when the Company has a legal or constructive obligation as a result of a past event at the balance sheet date and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

Warranties comprise obligations to make good any defects within the warranty period of 2 years. Provisions for warranties are measured at net realisable value and recognised based on past experience. Provisions that are estimated to mature more than one year after the balance sheet date are discounted at the average bond yields.

##### Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.



## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

DKK	2016	2015
<b>2 Staff costs</b>		
Wages/salaries	7,780,323	7,075,274
Pensions	442,418	436,075
Other social security costs	121,242	106,776
	<u>8,343,983</u>	<u>7,618,125</u>
 Average number of full-time employees	 <u>18</u>	 <u>16</u>
 <b>3 Financial income</b>		
Interest receivable, group entities	82,223	75,027
Exchange gain	69,679	50,106
Other financial income	2,676	322
	<u>154,578</u>	<u>125,455</u>

#### 4 Receivables

Out of the Company's total receivables, trade receivables totalling DKK 38,926 fall due for payment after more than one year after the balance sheet date.

#### 5 Contractual obligations and contingencies, etc.

##### Other contingent liabilities

The Company is jointly taxed with EUPA Holding ApS. As a jointly taxed company, which is wholly-owned, the Company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties. Corporation taxes and withholding taxes payable within the joint taxation unit amounted to DKK 897 thousand at 31 December 2016. Any subsequent corrections to the taxable joint taxation income or withholding taxes may result in an increased liability for the Company.

##### Other financial obligations

Other rent and lease liabilities:

DKK	2016	2015
Rent and lease liabilities	<u>1,421,805</u>	<u>2,127,580</u>

#### 6 Collateral

The Company has provided a bank guarantee as collateral for the Company's suppliers worth a total of DKK 1,178 thousand. The total carrying amount of the assets provided as security is DKK 1,178 thousand and is included in the balance sheet under "cash at bank and in hand".

Furthermore, a guarantee has been provided to the Company's customers of DKK 65 thousand.