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Glova Rail A/S

Elvej 3, 5260 Odense S, Denmark

CVR no. 10 12 02 68



Annual report 2015

Approved at the annual general meeting of shareholders on 19 April 2016

Chairman:



.....
Horst Kirchner



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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Glova Rail A/S for the financial year 1 January - 31 December 2015.

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 Company's financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January - 31 December 2015.

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

We recommend the adoption of the annual report at the annual general meeting.

Odense, 19 April 2016
Executive Board:



Horst Kirchner

Board of Directors:



Horst Kirchner



Ole Lind Rasmussen



Andrew P. Flinn



Lars Genild

Independent auditors' report

To the shareholders of Glova Rail A/S

Independent auditors' report on the financial statements

We have audited the financial statements of Glova Rail A/S for the financial year 1 January - 31 December 2015, 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.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements according to Danish audit regulations. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors considers internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.


Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of its operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Odense, 19 April 2016
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR No. 30 70 02 28



Lars Koch-Pedersen
State Authorised Public Accountant



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Management's review

Company details

Name	Glova Rail A/S
Address, Postal code, City	Elvej 3, 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 Englandsgade 25, P O Box 200, 5100 Odense C, Denmark



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Management's review

Operating review

The Company's 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 2015 shows a profit of DKK 6,569,587 against a profit of DKK 5,120,967 last year, and the balance sheet at 31 December 2015 shows equity of DKK 20,273,297. Management considers the Company's financial performance in the year satisfactory.

Non-financial matters

Post balance sheet events

No significant events have occurred subsequent to the financial year.

Outlook

The Company's revenue for 2016 is expected to stabilize. Next year's profit is expected to be at the same level or slightly lower than in 2015.



Financial statements for the period 1 January - 31 December

Income statement

Note	DKK	2015	2014
	Gross profit	16,416,946	14,186,800
2	Staff costs	-7,618,125	-7,188,449
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-217,132	-192,750
	Operating profit	8,581,689	6,805,601
3	Financial income	125,455	73,712
4	Financial expenses	-113,885	-102,789
	Profit before tax	8,593,259	6,776,524
5	Tax for the year	-2,023,672	-1,655,557
	Profit for the year	6,569,587	5,120,967
	Proposed profit appropriation		
	Proposed dividend recognised under equity	5,000,000	4,000,000
	Retained earnings	1,569,587	1,120,967
		6,569,587	5,120,967



Financial statements for the period 1 January - 31 December

Balance sheet

Notes	DKK	2015	2014
	ASSETS		
	Non-current assets		
6	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	260,165	447,295
		<u>260,165</u>	<u>447,295</u>
	Total non-current assets	<u>260,165</u>	<u>447,295</u>
	Current assets		
	Inventories		
	Finished goods and goods for resale	7,103,184	5,462,483
		<u>7,103,184</u>	<u>5,462,483</u>
7	Receivables		
	Trade receivables	5,955,925	4,429,074
	Receivables from group entities	454,016	403,319
	Deferred tax assets	125,753	116,980
	Other receivables	654,053	504,014
	Deferred income	95,122	177,269
		<u>7,284,869</u>	<u>5,630,656</u>
	Cash	<u>10,169,036</u>	<u>9,356,994</u>
	Total current assets	<u>24,557,089</u>	<u>20,450,133</u>
	TOTAL ASSETS	<u>24,817,254</u>	<u>20,897,428</u>

Financial statements for the period 1 January - 31 December

Balance sheet

Notes	DKK	2015	2014
EQUITY AND LIABILITIES			
Equity			
8	Share capital	500,000	500,000
	Retained earnings	14,773,297	13,203,710
	Dividend proposed for the year	5,000,000	4,000,000
	Total equity	20,273,297	17,703,710
Provisions			
	Other provisions	300,000	300,000
9	Total provisions	300,000	300,000
Liabilities other than provisions			
Current liabilities other than provisions			
	Prepayments received from customers	627,628	32,480
	Trade payables	1,886,224	1,610,530
	Joint taxation contribution payable	433,445	46,485
	Other payables	1,296,660	1,204,223
		4,243,957	2,893,718
	Total liabilities other than provisions	4,243,957	2,893,718
	TOTAL EQUITY AND LIABILITIES	24,817,254	20,897,428

- 1 Accounting policies
- 10 Collateral
- 11 Contractual obligations and contingencies, etc.
- 12 Related parties



Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Retained earnings	Dividend proposed for the year	Total
Equity at 1 January 2015	500,000	13,203,710	4,000,000	17,703,710
Profit/loss for the year	0	1,569,587	5,000,000	6,569,587
Dividend distributed	0	0	-4,000,000	-4,000,000
Equity at 31 December 2015	500,000	14,773,297	5,000,000	20,273,297

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 2015 has been presented in accordance with the provisions of the Danish Financial Statements Act as regards reporting class B enterprises.

The accounting policies applied by the Company are consistent with those of last year.

Income statement

Revenue

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

Gross profit

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 entity'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 pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

Amortisation/depreciation and impairment of intangible assets and property, plant and equipment

The item comprises amortisation/depreciation and impairment of intangible assets and 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 are as follows:

Other fixtures and fittings, tools and equipment	3-5 years
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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.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

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Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

The entity and its Danish group entities are taxed on a joint basis. The Danish income tax charge is allocated between profit-making and loss-making Danish entities in proportion to their taxable income (full allocation method).

Jointly taxed companies entitled to a tax refund are, as a minimum, reimbursed by the management company according to the current rates applicable to interest allowances, and jointly taxed companies having paid too little tax pay, as a maximum, a surcharge according to the current rates applicable to interest surcharges to the management company.

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 costs necessary 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 indication that a receivable or a group of receivables is impaired. If there is objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are tested for objective indication of impairment on a portfolio basis. The portfolios are primarily composed on the basis of debtors' domicile and credit ratings in accordance with the Company's risk management policy. The objective indicators used for portfolios are determined based on historical loss experience.

Write-downs 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 and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities which are subject to an insignificant risk 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

Dividends proposed 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 concerned 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.

Lease liabilities

Lease liabilities are measured at the net present value of the remaining lease payments including a guaranteed residual value, if any, based on the interest rate implicit in the lease.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK	2015	2014
2 Staff costs		
Wages/salaries	7,075,274	6,662,651
Pensions	436,075	408,239
Other social security costs	106,776	117,559
	<u>7,618,125</u>	<u>7,188,449</u>
3 Financial income		
Interest receivable, group entities	75,027	49,936
Exchange gain	50,106	15,789
Other financial income	322	7,987
	<u>125,455</u>	<u>73,712</u>
4 Financial expenses		
Exchange losses	110,432	86,991
Other financial expenses	3,453	15,798
	<u>113,885</u>	<u>102,789</u>
5 Tax for the year		
Estimated tax charge for the year	2,032,445	1,643,485
Deferred tax adjustments in the year	-8,773	12,072
	<u>2,023,672</u>	<u>1,655,557</u>



Financial statements for the period 1 January - 31 December

Notes to the financial statements

6 Property, plant and equipment

DKK	Other fixtures and fittings, tools and equipment
Cost at 1 January 2015	2,646,325
Additions in the year	30,000
Cost at 31 December 2015	2,676,325
Impairment losses and depreciation at 1 January 2015	2,199,030
Depreciation in the year	217,130
Impairment losses and depreciation at 31 December 2015	2,416,160
Carrying amount at 31 December 2015	260,165

7 Receivables

Out of the Company's total receivables, trade receivables totalling DKK 38,992 fall due for payment after more than one year after the balance sheet date.

DKK	2015	2014
8 Share capital		
The share capital consists of the following:		
500,000 shares of DKK 1.00 each	500,000	500,000
	500,000	500,000

The Company's share capital has remained DKK 500,000 over the past 5 years.

9 Provisions

Other provisions comprise provisions for warranty commitments, totalling DKK 300,000. Warranty provisions relate to expected warranty expenses in accordance with usual guarantee commitments applicable to the sale of goods. The obligation is expected to be settled over the warranty period, which is two years.

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Financial statements for the period 1 January - 31 December

Notes to the financial statements

10 Collateral

The Company has provided a bank guarantee as collateral for the Company's suppliers worth a total of DKK 1,182 thousand. The total carrying amount of the assets provided as security is DKK 1,182 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 33 thousand.

11 Contractual obligations and contingencies, etc.

Other contingent liabilities

The Company is jointly taxed with Glova Rail A/S. 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 408 thousand at 31 December 2015. 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	2015	2014
Rent and lease liabilities	2,127,580	189,815

Rent and lease liabilities include two rent obligations totalling DKK 739,111 in yearly rent. Rent agreements can be terminated at 6-39 months' notice. The Company has operating lease agreements totalling DKK 41,000 to be paid over the next three years.

12 Related parties

Glova Rail A/S' related parties comprise the following:

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the votes or minimum 5% of the share capital:

Name	Domicile
EUPA Holding ApS	Odense S