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Epoke A/S
Vejenvej 50
6600 Vejen
Central Business Registration No
14125345

Annual report 2017/18

The Annual General Meeting adopted the annual report on 04.06.2018

Chairman of the General Meeting

____

Name: Kristian la Cour

Contents

Entity details

Entity
Epoke A/S
Vejenvej 50
6600 Vejen

Central Business Registration No: 14125345
Founded: 01.05.1990
Registered in: Vejen
Financial year: 01.03.2017 - 28.02.2018

Phone: 76962200
Fax: 75363867
Website: www.epoke.dk
E-mail: epoke@epoke.dk

Board of Directors
Søren Klarskov Vilby, Chairman
Thomas Marstrand, Vice Chairman
Kristian la Cour
Gert Kristensen
Dan Johannsen

Executive Board
Jan Nielsen Økjær, COO
Torben Ude Petersen, CCO

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Dokken 8
Postbox 200
6701 Esbjerg

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Epoke A/S for the financial year 01.03.2017 - 28.02.2018.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 28.02.2018 and of the results of its operations and cash flows for the financial year 01.03.2017 - 28.02.2018.

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

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

Vejen, 04.06.2018

Executive Board

Jan Nielsen Økjær COO	Torben Ude Petersen CCO

Board of Directors

Søren Klarskov Vilby Chairman	Thomas Marstrand Vice Chairman	Kristian la Cour
Gert Kristensen	Dan Johannsen	

Independent auditor's report

To the shareholders of Epoke A/S

Opinion

We have audited the financial statements of Epoke A/S for the financial year 01.03.2017 - 28.02.2018, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant 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 Entity's financial position at 28.02.2018 and of the results of its operations and cash flows for the financial year 01.03.2017 - 28.02.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 these financial statements.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism 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 Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- 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 Entity'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 conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

Independent auditor's report

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Esbjerg, 04.06.2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Jørn Jepsen
State Authorised Public Accountant
Identification number (MNE) mne24824

Management commentary

	2017/18 DKK'000	2016/17 DKK'000	2015/16 DKK'000	2014/15 DKK'000	2013/14 DKK'000
Financial highlights					
Key figures					
Revenue	212,242	188,533	211,953	247,590	251,412
Gross profit/loss	79,154	67,226	82,247	100,882	111,566
Operating profit/loss	7,762	(2,352)	9,675	16,363	32,895
Net financials	(8,278)	(6,128)	(6,369)	(6,338)	(5,857)
Profit/loss for the year	(1,650)	(7,241)	1,436	6,643	20,553
Total assets	180,711	180,139	191,682	156,348	167,471
Investments in property, plant and equipment	3,594	5,401	2,027	2,838	2,956
Equity	86,160	86,639	93,252	91,366	84,846
Average invested capital incl goodwill	97,985	103,245	101,252	98,763	101,671
Ratios					
Gross margin (%)	37.3	35.7	38.8	40.7	44.4
Net margin (%)	(0.8)	(3.8)	0.7	2.7	8.2
Return on invested capital incl goodwill (%)	9.0	(0.7)	11.2	18.3	34.3
Return on equity (%)	(1.9)	(8.1)	1.6	7.5	23.0
Equity ratio (%)	47.7	48.1	48.6	58.4	50.7

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios
Gross margin (%)	$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Revenue}}$	The entity's operating profitability.
Return on invested capital incl goodwill (%)	$\frac{\text{EBITA x 100}}{\text{Average invested capital incl goodwill}}$	The return generated by the entity on the investors' funds.
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	The financial strength of the entity.

EBITA (Earnings Before Interest, Tax and Amortisation) is defined as operating profit plus the year's amortisation of and impairment losses relating to intangible assets including goodwill.

Management commentary

Invested capital including goodwill is defined as net working capital plus the carrying amount of property, plant and equipment and intangible assets as well as accumulated amortisation of intangible assets including goodwill, and less other provisions and long-term operating liabilities. Accumulated impairment losses relating to goodwill are not added.

Net working capital is defined as inventories, receivables and other operating current assets net of trade payables and other short-term operating liabilities. Income taxes receivable and payable as well as cash are not included in net working capital.

Management commentary

Primary activities
The primary activities of Epoke A/S are to develop, manufacture, market and sell Epoke, Brodd and Snowline machinery.

The Group's products are sold through own companies in Denmark, Germany, Sweden and Poland. Sales and marketing in other markets are based on partnerships with dealers and the subsidiaries based in the respective countries.

Focusing on the customer and in co-operation with dealers, Epoke Group markets Epoke winter road maintenance products together with Snowline snow removal equipment and Brodd sweepers. Epoke Group aims to become the industry's best-known brand and to be a market leader in selected segments.

Epoke Group develops and manufactures state-of-the-art salt and liquid spreaders together with Snowline snow removal equipment and Brodd sweepers that meet the customers' requirements in terms of service, quality and economic life costs.

Development in activities and finances
Revenue realised by Epoke A/S comes to DKK 212m against DKK 189m last year, the main share of which is attributable to exports.

Profit for the year before net financials is DKK 7,762k against a deficit of DKK 2,352k for last year. Deficit for the year after tax is DKK 1,650k against a deficit of DKK 7,241k last year.

Epoke A/S is a firmly based enterprise with a solvency ratio of 47.7% at 28 February 2018.

Profit/loss for the year in relation to expected developments
Management considers profit for the year not satisfactory and lower than expectations due to the facts that the integration of the 2015 acquisitions has been more time consuming than expected and that the mild winter of this financial year had a negative impact on the sales of spare parts.

Outlook
Management expects an improved financial performance for the next financial year - i.e. on a par with 2014/2015 level.

Particular risks
Currency risks
Epoke A/S' receivables and loans are primarily denominated in DKK. Epoke A/S does not apply financial instruments for the purpose of speculating.

Excess liquidity is deposited in money market accounts or the like. Therefore, Epoke A/S is exposed to no material financial risks.

Management commentary

Intellectual capital resources
Epoke Group aims to be an attractive workplace with motivated and committed staff. To ensure continued motivation and strong commitment on the part of staff, work at Epoke A/S is performed on the basis of corporate values enabling the individual staff member to make his or her own decisions. The management philosophy is freedom with responsibility.

Epoke Group has formulated a senior policy and is locally known for its efforts to retain senior staff as well as other social initiatives.

Environmental performance
The Group holds a clean environmental approval dated 1 August 2000, and the 2013 inspection confirmed the approval.

Epoke A/S is compliant with applicable environmental law etc. and has not received any complaints or claims relating to non-compliance with environmental rules on the part of its Danish and foreign subsidiaries.

Research and development activities
The Group is among the absolute market leaders when it comes to spreaders for winter road clearance. The Group has won this position through persistent and targeted development efforts as regards spreaders and related electronic products.

The Group protects its development projects by taking out patents, if appropriate. The Group intends to sustain its position by continuously adding the resources required and staying focused on road clearance.

The product portfolio is characterized by high performance, low service costs, high quality of products and in particular innovative solutions.

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

Income statement for 2017/18

	Notes	2017/18 DKK'000	2016/17 DKK'000
Revenue		212,242	188,533
Changes in inventories of finished goods and work in progress		(7,130)	9,321
Other operating income		598	598
Cost of sales		(109,896)	(114,166)
Other external expenses		(16,660)	(17,060)
Gross profit/loss		**79,154**	**67,226**
Staff costs	1	(66,122)	(63,895)
Depreciation, amortisation and impairment losses	2	(5,270)	(5,683)
Operating profit/loss		**7,762**	**(2,352)**
Income from investments in group enterprises		(5,976)	(3,423)
Other financial income	3	2,029	1,150
Other financial expenses	4	(4,331)	(3,855)
Profit/loss before tax		**(516)**	**(8,480)**
Tax on profit/loss for the year	5	(1,134)	1,239
Profit/loss for the year	6	**(1,650)**	**(7,241)**

Balance sheet at 28.02.2018

	Notes	2017/18 DKK'000	2016/17 DKK'000
Completed development projects		187	1,011
Goodwill		1,833	2,083
Intangible assets	7	**2,020**	**3,094**
Land and buildings		9,893	11,015
Plant and machinery		7,844	7,051
Other fixtures and fittings, tools and equipment		1,797	2,631
Leasehold improvements		19	31
Property, plant and equipment in progress		283	0
Property, plant and equipment	8	**19,836**	**20,728**
Investments in group enterprises		11,428	12,614
Deposits		72	72
Fixed asset investments	9	**11,500**	**12,686**
Fixed assets		**33,356**	**36,508**
Raw materials and consumables		32,875	34,412
Manufactured goods and goods for resale		38,864	44,457
Inventories		**71,739**	**78,869**
Trade receivables		32,542	21,370
Receivables from group enterprises		39,263	42,080
Deferred tax	10	432	198
Other receivables		1,078	191
Income tax receivable		700	0
Joint taxation contribution receivable		0	49
Prepayments	11	1,594	752
Receivables		**75,609**	**64,640**
Cash		**7**	**122**
Current assets		**147,355**	**143,631**
Assets		**180,711**	**180,139**

Balance sheet at 28.02.2018

	Notes	2017/18 DKK'000	2016/17 DKK'000
Contributed capital	12	15,000	15,000
Retained earnings		71,160	71,639
Equity		**86,160**	**86,639**
Other provisions	13	3,473	2,991
Provisions		**3,473**	**2,991**
Debt to other credit institutions		11,414	12,680
Other payables		2,057	2,166
Non-current liabilities other than provisions	14	**13,471**	**14,846**
Current portion of long-term liabilities other than provisions	14	1,282	11,261
Bank loans		16,706	11,071
Prepayments received from customers		9,509	1,031
Trade payables		18,993	20,092
Payables to group enterprises		15,073	14,666
Joint taxation contribution payable		1,492	0
Other payables	15	14,552	17,542
Current liabilities other than provisions		**77,607**	**75,663**
Liabilities other than provisions		**91,078**	**90,509**
Equity and liabilities		**180,711**	**180,139**
Financial instruments	17		
Unrecognised rental and lease commitments	18		
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Mortgages and securities	20		
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Statement of changes in equity for 2017/18

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	15,000	71,639	86,639
Exchange rate adjustments	0	730	730
Fair value adjustments of hedging instruments	0	565	565
Tax of equity postings	0	(124)	(124)
Profit/loss for the year	0	(1,650)	(1,650)
Equity end of year	**15,000**	**71,160**	**86,160**

Cash flow statement 2017/18

	Notes	2017/18 DKK'000	2016/17 DKK'000
Operating profit/loss		7,762	(2,352)
Amortisation, depreciation and impairment losses		5,270	5,683
Other provisions		482	56
Working capital changes	16	(2,352)	(1,945)
Cash flow from ordinary operating activities		**11,162**	**1,442**
Financial income received		1,918	1,150
Financial income paid		(4,330)	(3,855)
Income taxes refunded/(paid)		49	4,857
Cash flows from operating activities		**8,799**	**3,594**
Acquisition etc of property, plant and equipment		(3,594)	(5,401)
Sale of property, plant and equipment		290	306
Acquisition of fixed asset investments		0	(48)
Cash flows from investing activities		**(3,304)**	**(5,143)**
Instalments on loans etc		(11,245)	(1,284)
Cash flows from financing activities		**(11,245)**	**(1,284)**
Increase/decrease in cash and cash equivalents		**(5,750)**	**(2,833)**
Cash and cash equivalents beginning of year		(10,949)	(8,116)
Cash and cash equivalents end of year		**(16,699)**	**(10,949)**
Cash and cash equivalents at year-end are composed of:			
Cash		7	122
Short-term debt to banks		(16,706)	(11,071)
Cash and cash equivalents end of year		**(16,699)**	**(10,949)**

Notes

	2017/18 DKK'000	2016/17 DKK'000
1. Staff costs		
Wages and salaries	60,830	58,111
Pension costs	4,118	4,394
Other social security costs	1,174	1,390
	66,122	**63,895**
Average number of employees	**128**	**142**

	Remuneration of management 2017/18 DKK'000	Remuneration of management 2016/17 DKK'000
Executive Board	2,183	3,569
Board of Directors	486	546
	2,669	**4,115**

	2017/18 DKK'000	2016/17 DKK'000
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	1,074	1,670
Depreciation of property, plant and equipment	4,247	4,250
Profit/loss from sale of intangible assets and property, plant and equipment	(51)	(237)
	5,270	**5,683**

	2017/18 DKK'000	2016/17 DKK'000
3. Other financial income		
Financial income arising from group enterprises	1,023	945
Other financial income	1,006	205
	2,029	**1,150**

Notes

	2017/18 DKK'000	2016/17 DKK'000
4. Other financial expenses		
Financial expenses from group enterprises	521	501
Other financial expenses	3,810	3,354
	4,331	**3,855**

	2017/18 DKK'000	2016/17 DKK'000
5. Tax on profit/loss for the year		
Tax on current year taxable income	1,368	0
Change in deferred tax for the year	(234)	(1,150)
Adjustment concerning previous years	0	(40)
Refund in joint taxation arrangement	0	(49)
	1,134	**(1,239)**

	2017/18 DKK'000	2016/17 DKK'000
6. Proposed distribution of profit/loss		
Retained earnings	(1,650)	(7,241)
	(1,650)	**(7,241)**

	Completed development projects DKK'000	Goodwill DKK'000
7. Intangible assets		
Cost beginning of year	15,076	2,650
Cost end of year	**15,076**	**2,650**
Amortisation and impairment losses beginning of year	(14,065)	(567)
Amortisation for the year	(824)	(250)
Amortisation and impairment losses end of year	**(14,889)**	**(817)**
Carrying amount end of year	**187**	**1,833**

Notes

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve-ments DKK'000
8. Property, plant and equipment				
Cost beginning of year	39,278	43,810	25,086	83
Additions	0	2,832	479	0
Disposals	0	(325)	(512)	0
Cost end of year	**39,278**	**46,317**	**25,053**	**83**
Depreciation and impairment losses beginning of the year	(28,263)	(36,759)	(22,455)	(52)
Depreciation for the year	(1,122)	(2,039)	(1,074)	(12)
Reversal regarding disposals	0	325	273	0
Depreciation and impairment losses end of the year	**(29,385)**	**(38,473)**	**(23,256)**	**(64)**
Carrying amount end of year	**9,893**	**7,844**	**1,797**	**19**

Notes

	Property, plant and equipment in progress DKK'000
8. Property, plant and equipment	
Cost beginning of year	0
Additions	283
Disposals	0
Cost end of year	**283**
Depreciation and impairment losses beginning of the year	0
Depreciation for the year	0
Depreciation and impairment losses end of the year	0
Depreciation and impairment losses end of the year	**0**
Carrying amount end of year	**283**

	Investments in group enterprises DKK'000	Deposits DKK'000
9. Fixed asset investments		
Cost beginning of year	27,688	72
Cost end of year	**27,688**	**72**
Impairment losses beginning of year	(15,074)	0
Exchange rate adjustments	730	0
Amortisation of goodwill	(546)	0
Share of profit/loss for the year	(5,286)	0
Adjustment of intra-group profits	(144)	0
Investments with negative equity depreciated over receivables	5,008	0
Other adjustments	(948)	0
Impairment losses end of year	**(16,260)**	**0**
Carrying amount end of year	**11,428**	**72**

Notes

	Registered in	Corporate form	Equity interest %
Investments in group enterprises comprise:			
Alfred Thomsen GmbH	Eichenzell, Germany	GmbH	100.0
Epoke Maschinenbau GmbH & Co. KG	Eichenzell, Germany	GmbH	100.0
Epoke Sp. z.o.o.	Warzawa, Poland	Sp. z.o.o.	100.0
Brodd Sweden AB	Sweden	AB	100.0
Brodd Polonia Sp. z.o.o.	Poland	Sp. z.o.o.	100.0

	2017/18 DKK'000	2016/17 DKK'000
10. Deferred tax		
Intangible assets	(130)	(289)
Property, plant and equipment	1,217	1,311
Inventories	(794)	(908)
Receivables	(146)	(182)
Provisions	285	266
	432	**198**

Changes during the year	
Beginning of year	198
Recognised in the income statement	234
End of year	**432**

Deferred tax assets mainly relate to accelerated depreciation on property, plant and equipment. Based on the Company's historical results and the expected performance in the next few years, it is assessed that the deferred tax assets may be utilised within three to five years.

11. Prepayments

Prepayments comprise incurred costs relating to subsequent financial years.

Notes

	Number	Par value DKK'000	Nominal value DKK'000
12. Contributed capital			
Ordinary shares	1,500	10	15,000
	1,500		**15,000**

13. Other provisions

Other provisions comprise service and warranty commitments.

	Instalments within 12 months 2017/18 DKK'000	Instalments within 12 months 2016/17 DKK'000	Instalments beyond 12 months 2017/18 DKK'000	Outstanding after 5 years DKK'000
14. Liabilities other than provisions				
Debt to other credit institutions	1,282	11,261	11,414	6,281
Other payables	0	0	2,057	0
	1,282	**11,261**	**13,471**	**6,281**

	2017/18 DKK'000	2016/17 DKK'000
15. Other payables		
VAT and duties	0	1,948
Wages and salaries, personal income taxes, social security costs, etc payable	5,749	4,844
Holiday pay obligation	3,415	3,468
Other costs payable	5,388	7,282
	14,552	**17,542**

Notes

	2017/18 DKK'000	2016/17 DKK'000
16. Change in working capital		
Increase/decrease in inventories	7,130	1,629
Increase/decrease in receivables	(13,798)	(5,531)
Increase/decrease in trade payables etc	4,316	1,957
	(2,352)	**(1,945)**

17. Financial instruments

Interest rate swaps have been entered into in order to hedge the interest risk involved in bank loans until maturity. The fair value of the interest rate swaps amounts to DKK 732k at 28.02.2018 and has been recognised as other payables. The interest rate swaps guarantee a fixed interest rate between 4.08% and 4.38% on the loans concerned.

	2017/18 DKK'000	2016/17 DKK'000
2018, nominal amount	10,538	11,439
2024, nominal amount	1,928	2,265
	12,466	**13,704**

	2017/18 DKK'000	2016/17 DKK'000
18. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	**2,692**	**2,816**

19. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which Epoke Investment II A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

The Entity has issued a letter of support to Epoke Maschinenbau GmbH & Co. KG.

Notes

20. Mortgages and securities

Debt to other credit institutions, DKK 12,696k, are secured on real property. The mortgage also comprises the plant and machinery deemed part of the property.

The carrying amount of mortgaged properties is DKK 9,893k and the carrying amount of mortgaged plant is DKK 7,844k.

As collateral for bank loans, DKK 16,706k, the company has issued a floating company charge at nominal value DKK 30,000k including inventories, trade receiveables, intangible assets and other fixtures and fittings, tools and equipment, which amounts to DKK 108,098k.

The Entity has provided payment guarantees for DKK 2,196k nominal.

21. Related parties with controlling interest

Epoke Investment II A/S, Charlottenlund, Denmark holds all shares in Epoke A/S and so it controls the company.

22. Transactions with related parties

According to section 98c(7) of the Danish Financial Statements Act, only non-arm's-length related party transactions are disclosed. However, all transactions have been made on arm's length basis in the financial year.

23. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group: Epoke Investment II A/S, Charlottenlund, Denmark.

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: Epoke Investment II A/S, Charlottenlund, Denmark.

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

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

Consolidated financial statements
Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

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

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

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

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

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

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

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

Accounting policies

Exchange adjustments of outstanding accounts with independent foreign subsidiaries which are considered part of the total investment in the subsidiary in question are classified directly as equity.

Derivative financial instruments
On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

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

Changes in inventories of finished goods and work in progress
Changes in inventories of finished goods and work in progress comprise decreases or increases for the financial year in inventories of finished goods and work in progress. This item includes ordinary writedowns of such inventories. Changes in inventories of raw materials are included in costs of raw materials and consumables.

Other operating income
Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including rental income.

Cost of sales
Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Accounting policies

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

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

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

Income from investments in group enterprises
Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Other financial income
Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital gains on payables and transactions in foreign currencies as well as tax relief under the Danish Tax Prepayment Scheme etc.

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

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

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

Accounting policies

Balance sheet

Goodwill

Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If it is not possible to estimate the useful life reliably, it is set at 10 years. Useful lives are reassessed on an annual basis. The amortisation period used is 10 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects, protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation period used is 5 years.

Property, plant and equipment

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-constructed assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs.

Accounting policies

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each asset.

Interest expenses on loans for the financing of the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other finance costs are recognised in the income statement.

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

Buildings	7-33 years
Plant and machinery	3-10 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	7 years

For leasehold improvements the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

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

Investments in group enterprises
Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Accounting policies

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation period used is 10 years.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

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

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

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost.

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

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

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

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

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

Cash
Cash comprises cash in hand and bank deposits.

Accounting policies

Other provisions
Other provisions comprise anticipated costs of guarantee commitments etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

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

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

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

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

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.