

# Mountain Top Industries ApS

Pedersholmparken 10, 3600 Frederikssund

CVR no. 18 52 70 30

## Annual report 2017/18

Approved at the Company's annual general meeting on 22 November 2018

*Michael Thomsen*





## Contents

<b>Statement by the Board of Directors and the Executive Board</b>	<b>2</b>
<b>Independent auditor's report</b>	<b>3</b>
<b>Management's review</b>	<b>5</b>
<b>Financial statements 1 July 2017 - 30 June 2018</b>	<b>11</b>
Income statement	11
Balance sheet	12
Statement of changes in equity	14
Notes to the financial statements	15

## 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 Mountain Top Industries ApS for the financial year 1 July 2017 - 30 June 2018.

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

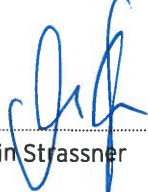
In our opinion, the financial statements give a true and fair view of the financial position of the Company at 30 June 2018 and of the results of the Company's operations for the financial year 1 July 2017 - 30 June 2018.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

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

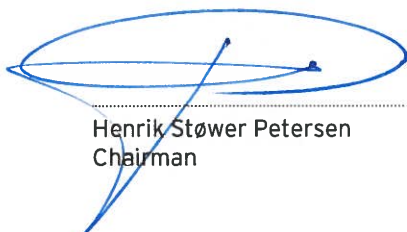
Frederikssund, 22 November 2018

Executive Board:

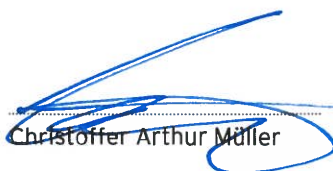


Martin Strassner

Board of Directors:



Henrik Støwer Petersen  
Chairman



Christoffer Arthur Müller



Martin Strassner

## Independent auditor's report

### To the shareholder of Mountain Top Industries ApS

#### Opinion

We have audited the financial statements of Mountain Top Industries ApS for the financial year 1 July 2017 - 30 June 2018, which comprise 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 30 June 2018 and of the results of the Company's operations for the financial year 1 July 2017 - 30 June 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 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

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.

#### 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 as to 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 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.

## Independent auditor's report

- ▶ 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.
- ▶ 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 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 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 the 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 the work we have performed, 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.

Copenhagen, 22 November 2018


ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Mogens Andreasen  
State Authorised Public Accountant  
mne28603



Anders Flymer-Dindler  
State Authorised Public Accountant  
mne35423



## Management's review

### Company details

Name	Mountain Top Industries ApS
Address, Postal code, City	Pedersholmparken 10, 3600 Frederikssund
CVR no.	18 52 70 30
Established	1 May 1995
Registered office	Frederikssund
Financial year	1 July 2017 - 30 June 2018
Board of Directors	Henrik Støwer Petersen, Chairman Christoffer Arthur Müller Martin Strassner
Executive Board	Martin Strassner
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark

## Management's review

### Financial highlights

DKK'000	2017/18	2016/17	2015/16	2014/15	2013/14
<b>Key figures</b>					
Gross margin	230,080	168,621	107,254	81,482	59,516
Operating profit/loss	161,988	108,426	58,927	41,574	29,838
Net financials	-1,875	-521	5	23	19
<b>Profit/loss for the year</b>	<b>124,991</b>	<b>84,147</b>	<b>45,960</b>	<b>31,810</b>	<b>22,571</b>
<b>Balance sheet</b>					
Total assets	161,873	159,447	98,125	67,220	55,850
Investment in property, plant and equipment	43,006	261	365	789	401
<b>Equity</b>	<b>26,540</b>	<b>89,146</b>	<b>50,960</b>	<b>36,810</b>	<b>27,571</b>
<b>Financial ratios</b>					
Return on assets	100.8%	84.2%	71.3%	67.6%	65.2%
Current ratio	172.7%	224.2%	0.0%	0.0%	0.0%
Equity ratio	16.4%	55.9%	51.9%	54.8%	49.4%
Return on equity	216.1%	120.1%	104.7%	98.8%	81.9%
<b>Operational metrics</b>					
Average number of employees	163	148	108	64	50

## Management's review

### Business review

The Mountain Top Group companies conduct activities within development and production of high quality accessories to the global automotive industry within the Pick Up Truck segment. The majority of products are manufactured in its own factory in Denmark.

Mountain Top Industries are both IATF 16949 and TÜV certified combined with ISO 14001 certification. The turnover originates from large blue chip customers within the automotive industry as well as from distributors in the aftermarket.

Mountain Top Industries ApS is headquartered in Frederikssund, Denmark, and has one additional Sales & Service office in Melbourne, Australia.

### Ownership and Capital Structure

Mountain Top Industries ApS is fully owned by Mountain Top Group ApS. Axcel, a Nordic Private Equity firm, is the ultimate majority shareholder with approx. 67% of the shares.

The company's equity consists of one class of shares.

The current capital structure is deemed appropriate in relation to the need for financial flexibility in Mountain Top Group ApS and its subsidiary.

By virtue of its Private Equity ownership, the Mountain Top Group companies are subject to "Guidelines for responsible ownership and good governance" as defined by the Danish Venture Capital and Private Equity Association. The guidelines are available at DVCA's website; [www.dvca.dk](http://www.dvca.dk).

### Financial review

The income statement for 2017/18 shows a profit of DKK 124,991 thousand against a profit of DKK 84,147 thousand last year, and the balance sheet at 30 June 2018 shows equity of DKK 26,540 thousand.

The result was above expectations and Management consider the result for the year satisfactory.

### Non-financial matters

The organization of Management is, among other things, based on the Danish Companies Act, the Danish Financial Statements Act and the company's article of association.

I.e. Mountain Top Industries ApS has based its corporate governance efforts on a two tier system where the board of directors and the executive management have two distinct roles.

The executive management undertakes the operational management of the company, whereas the board of directors determines the overall company strategy and acts as active sparring partner to the executive management of the company.

In addition, the board of directors use committees for special tasks. Thus, a chairman committee has been set up.

The board of directors consists of three members and board meetings are held four to six times a year.

Additionally, the chairman committee meets with executive management on a bimonthly basis.

The Board of Directors in Mountain Top Industries ApS consists of the following members:

Chairman:	Henrik Støwer Pedersen	(Appointed in April '18)
Deputy Chairman:	Christoffer Arthur Müller	(Appointed in December '17)
Member:	Martin Strassner	(Appointed in January '18)

The Executive Board consists of the following members:

CEO:	Martin Strassner	(Appointed in January '18)
------	------------------	----------------------------



## Management's review

Other board positions of the members of the Board of Directors are:

### Henrik Støwer Pedersen

Chairman: Mountain Top Industries ApS

Member: Ballast Water Monitoring A/S

### Christoffer Arthur Müller

Chairman: Mountain Top Holding III ApS  
Mountain Top Holding II ApS  
Mountain Top Holding I ApS

Deputy chairman: Mountain Top Group ApS  
Mountain Top Industries ApS  
Frontmatec Group ApS

Member: Müller Gas Equipment A/S  
Brødr. Müller Holding A/S

## Corporate Social Responsibility (CSR)

Mountain Top Group companies bases its business development on combining financial performance with socially responsible behaviour and environmental awareness. As a certified supplier to the OEM within the automotive industry Mountain Top Group has been working with Corporate Social Responsibility as an integrated part of its business model.

Mountain Top Industries is environmentally conscious and is making an ongoing effort to reduce the environmental impact from its operations, focusing also on being able to contribute positively to customers' green accounts. Therefore, environmental issues are a natural and integral part of the Mountain Top Group management system and is ISO 14001 certified.

Mountain Top Group supports the protection of internationally proclaimed human rights by engaging with the IGU program ("Integrationsuddannelsen" in Danish) and employs many different nationalities. Furthermore, attention is given to a healthy and safe working environment in accordance with applicable legislation.

Mountain Top Industries has adopted the LEAN approach to manufacturing and through this and other dedicated activities actively engages in safety. Safety is priority nr. 1 in the company across all functions.

Mountain Top Group has an anti corruption and anti bribery policy in all affiliates and countries, as corruption/bribery practice is not accepted in any shape or form in our business. We expect the same from any of our suppliers, which all are audited at least once every second year.

Moreover, a central whistleblower policy is in place, enabling all employees to anonymously report situations, incidents or circumstances that seem inappropriate or contrary to the Group's guidelines.

## Employees and organization

An integrated part of the business model is to develop new products in close cooperation with the customers but also on own initiative. This makes it essential to secure a high level of continuity with respect to product development through retention of key staff and training of new staff.

Mountain Top Industries respects human rights within our sphere of influence and seek to conduct business in a manner that makes us an attractive employer. In general, the employees are meant to experience an open and unprejudiced culture where the individual can use her or his skills in the best possible way, regardless of gender, age and ethnic background. Both women and men have the same opportunities for careers and leadership positions.

## Management's review

Mountain Top Industries' overall policy is to employ or promote the best suitable persons no matter of gender. The company promotes diversity and consists currently of 24 nationalities.

The leadership team consist of 11 persons in total, of which 45% are female and 55% male. The average number of employees during the year was 163.

### Knowledge resources

A natural part of the group and the company's activities is the development of new products in cooperation with customers and on their own initiative. This work places great demands on knowledge resources in the company.

In order to perform this activity, it is necessary for the company to have the ability to convert and manage the products that customers is asking why there is constantly focus on employee competencies as well as maintaining and recruiting creative and innovative employees.

### Special risks

#### *Commodity Price Risk*

The group and the company's use of aluminum and plastics as the primary raw materials may lead to a risk due to price increases, which only to a limited extent can be recognized in the price of the finished products.

#### *Currency Risk*

The group and the company is exposed to currency fluctuations mainly from the USD and AUD. The USD relates to certain suppliers and the AUD relates to the revenue generated in Australia. The combined risk is currently at a level where hedging is not deemed economically viable.

Exchange rate fluctuations related to the translation of the result and intercompany balance of foreign subsidiary at the balance sheet date constitute a risk. The company does not hedge this type of risk.

#### *Employee risk*

Having the right competencies with the adequate experience is vital. Therefore, it is important that Mountain Top Industries continues to attract, retain and develop skilled employees. Failure to do can potentially impact the expected development of the company.

#### *IT Risk*

Mountain Top industries depends on information technology to manage critical business processes, including administrative and financial functions. The group uses IT systems for internal purposes and externally in relation to its customers and suppliers. Extensive disruption of IT systems could have a negative effect on Mountain Top Industries Group's operations.

### Impact on the external environment

Mountain Top Industries is environmentally conscious and is making an ongoing effort to reduce the environmental impact from its operations, focusing also on being able to contribute positively to customers' green accounts. Therefore, environmental issues are a natural and integral part of the Mountain Top Group management system and is ISO 14001 certified.

### Research and development activities

Research and Development is a key contributor to the continued positive development of the company. It is expected that the company will continue to invest in R&D capabilities and further expand to cater for customer needs in the future.



## Management's review

### Events after the balance sheet date

No significant events effecting the financial statement for 2017/18 have occurred subsequent to the financial year-end.

### Outlook

In 2018/19 Mountain Top Industries expects growth in revenue, gross profits and in number of employees.



## Financial statements 1 July 2017 - 30 June 2018

### Income statement

Note	DKK'000	2017/18	2016/17
	<b>Gross margin</b>	230,080	168,621
2	Staff costs	-66,413	-59,792
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-1,679	-403
	<b>Profit before net financials</b>	161,988	108,426
	Income from investments in group enterprises	124	0
	Financial income	1	3
3	Financial expenses	-1,876	-524
	<b>Profit before tax</b>	160,237	107,905
4	Tax for the year	-35,246	-23,758
	<b>Profit for the year</b>	124,991	84,147



## Financial statements 1 July 2017 - 30 June 2018

### Balance sheet

Note	DKK'000	2017/18	2016/17
	<b>ASSETS</b>		
	<b>Fixed assets</b>		
5	<b>Property, plant and equipment</b>		
	Fixtures and fittings, other plant and equipment	24,631	690
	Leasehold improvements	72	96
		<u>24,703</u>	<u>786</u>
6	<b>Investments</b>		
	Investments in group enterprises	146	0
	Deposits, investments	1,027	1,027
		<u>1,173</u>	<u>1,027</u>
	<b>Total fixed assets</b>	<u>25,876</u>	<u>1,813</u>
	<b>Non-fixed assets</b>		
	<b>Inventories</b>		
	Raw materials and consumables	32,247	26,064
	Finished goods and goods for resale	16,224	9,488
	Prepayments for goods	526	21
		<u>48,997</u>	<u>35,573</u>
	<b>Receivables</b>		
	Trade receivables	51,108	45,632
	Receivables from group enterprises	11,784	65,385
9	Deferred tax assets	396	110
	Other receivables	6,916	4,163
		<u>70,204</u>	<u>115,290</u>
	<b>Cash</b>	<u>16,796</u>	<u>6,771</u>
	<b>Total non-fixed assets</b>	<u>135,997</u>	<u>157,634</u>
	<b>TOTAL ASSETS</b>	<u>161,873</u>	<u>159,447</u>



## Financial statements 1 July 2017 - 30 June 2018

### Balance sheet

Note	DKK'000	2017/18	2016/17
	<b>EQUITY AND LIABILITIES</b>		
	<b>Equity</b>		
7	Share capital	200	200
	Retained earnings	26,340	12,585
	Dividend proposed	0	76,361
	<b>Total equity</b>	<b>26,540</b>	<b>89,146</b>
	<b>Liabilities other than provisions</b>		
8	<b>Non-current liabilities other than provisions</b>		
	Lease liabilities	21,064	0
	Joint taxation contribution payable	35,532	0
		<b>56,596</b>	<b>0</b>
	<b>Current liabilities other than provisions</b>		
8	Short-term part of long-term liabilities other than provisions	2,638	0
	Trade payables	34,483	23,655
	Payables to group enterprises	212	0
	Joint taxation contribution payable	23,727	36,718
	Other payables	9,994	9,928
10	Deferred income	7,683	0
		<b>78,737</b>	<b>70,301</b>
	<b>Total liabilities other than provisions</b>	<b>135,333</b>	<b>70,301</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>161,873</b>	<b>159,447</b>

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

## Financial statements 1 July 2017 - 30 June 2018

### Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Dividend proposed	Total
	Equity at 1 July 2017	200	12,585	76,361	89,146
14	Transfer, see "Appropriation of profit"	0	13,734	0	13,734
	Adjustment of investments through foreign exchange adjustments	0	21	0	21
	Dividend distributed	0	0	-76,361	-76,361
	<b>Equity at 30 June 2018</b>	<b>200</b>	<b>26,340</b>	<b>0</b>	<b>26,540</b>

## Financial statements 1 July 2017 - 30 June 2018

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Mountain Top Industries ApS for 2017/18 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

In accordance with section 112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

#### Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are reflected in the consolidated cash flow statement for the higher-ranking parent company Mountain Top Group ApS.

#### Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

#### *Foreign group entities*

Foreign subsidiaries and associates are considered separate entities. Items in such entities' income statements are translated at an average exchange rate for the month, and balance sheet items are translated at closing rates. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries to closing rates and on translation of the income statements from average exchange rates to closing rates are taken directly to equity.

#### Leases

On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to the ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the present value of the future lease payments. In calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently accounted for in the same way as the Company's other assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.



## Financial statements 1 July 2017 - 30 June 2018

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Income statement

###### Revenue

Income from the sale of goods for resale and finished goods, is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received.

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

The items revenue, cost of sales, other operating income and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

###### Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of fixed assets.

###### 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.

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period, which is 20 years. The amortisation period is based on management experience and knowledge for the business segments.

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

Goodwill	20 years
Fixtures and fittings, other plant and equipment	5-8 years
Leasehold improvements	5 years

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

## Financial statements 1 July 2017 - 30 June 2018

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Income from investments in subsidiaries

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries.

##### Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials 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.

The Company and its Danish group entities are jointly taxed. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the 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.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

##### Investments

Investments consists of deposits.

##### Investments in subsidiaries

Equity investments in subsidiaries and associates are measured according to the equity method.

On initial recognition, equity investments in subsidiaries are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

## Financial statements 1 July 2017 - 30 June 2018

### Notes to the financial statements

#### 1 Accounting policies (continued)

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deduced from the carrying amount.

Equity investments in subsidiaries measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

#### Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

#### 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.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other expenses directly attributable to the acquisition.

#### 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.

## Financial statements 1 July 2017 - 30 June 2018

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Cash

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

##### 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".

##### Other payables

Other payables are measured at net realisable value.

##### Lease liabilities

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

##### Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

DKK'000	<u>2017/18</u>	<u>2016/17</u>
<b>2 Staff costs</b>		
Wages/salaries	64,966	55,919
Pensions	3,504	2,731
Other social security costs	1,246	1,142
Staff costs transferred to finished goods	<u>-3,303</u>	<u>0</u>
	<u>66,413</u>	<u>59,792</u>
Average number of full-time employees	<u>163</u>	<u>148</u>

Remuneration to the company's management and board of directors amounts to a total of 2,239 t.kr. Remunerated for the management of the company for the 2016/17 financial year is not disclosed with reference to section 98b, 3, No. 2 of the Danish Financial Statements Act.

## Financial statements 1 July 2017 - 30 June 2018

### Notes to the financial statements

DKK'000	2017/18	2016/17	
<b>3 Financial expenses</b>			
Exchange adjustments	1,239	496	
Other financial expenses	637	28	
	<u>1,876</u>	<u>524</u>	
<b>4 Tax for the year</b>			
Estimated tax charge for the year	35,532	23,727	
Deferred tax adjustments in the year	-286	31	
	<u>35,246</u>	<u>23,758</u>	
<b>5 Property, plant and equipment</b>			
	<b>Fixtures and fittings, other plant and equipment</b>	<b>Leasehold improvements</b>	<b>Total</b>
DKK'000			
Cost at 1 July 2017	3,036	286	3,322
Additions	43,006	0	43,006
Disposals	-17,567	0	-17,567
Cost at 30 June 2018	<u>28,475</u>	<u>286</u>	<u>28,761</u>
Impairment losses and depreciation at 1 July 2017	2,346	190	2,536
Depreciation	1,736	24	1,760
Depreciation and impairment of disposals	-52	0	-52
Reversal of accumulated depreciation and impairment of assets disposed	-186	0	-186
Impairment losses and depreciation at 30 June 2018	<u>3,844</u>	<u>214</u>	<u>4,058</u>
<b>Carrying amount at 30 June 2018</b>	<u>24,631</u>	<u>72</u>	<u>24,703</u>
Property, plant and equipment include finance leases with a carrying amount totalling	<u>23,594</u>	<u>0</u>	<u>23,594</u>
Depreciated over	<u>5-8 years</u>	<u>5 years</u>	

Note 12 provides more details on security for loans, etc. as regards property, plant and equipment.

## Financial statements 1 July 2017 - 30 June 2018

### Notes to the financial statements

#### 6 Investments

DKK'000	Investments in group enterprises	Deposits, investments	Total
Cost at 1 July 2017	0	1,027	1,027
Additions on corporate acquisition	0	0	0
Cost at 30 June 2018	0	1,027	1,027
Value adjustments at 1 July 2017	0	0	0
Foreign exchange adjustments	21	0	21
Profit/loss for the year	125	0	125
Value adjustments at 30 June 2018	146	0	146
<b>Carrying amount at 30 June 2018</b>	<b>146</b>	<b>1,027</b>	<b>1,173</b>

In investments in group enterprises total goodwill amounts to DKK 3,110 thousand.

Name	Domicile	Interest	Equity DKK'000	Profit/loss DKK'000
<b>Subsidiaries</b>				
Mountain Top Australia Pty Ltd	Melbourne, Australia	100.00%	-2,965	218

#### 7 Share capital

The Company's share capital has remained DKK 200 thousand over the past 5 years.

#### 8 Non-current liabilities other than provisions

DKK'000	Total debt at 30/6 2018	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Lease liabilities	23,702	2,638	21,064	6,958
Joint taxation contribution payable	35,532	0	35,532	0
	<b>59,234</b>	<b>2,638</b>	<b>56,596</b>	<b>6,958</b>

DKK'000	2017/18	2016/17
<b>9 Deferred tax</b>		
Other deferred tax	-396	-110
<b>Deferred tax at 30 June</b>	<b>-396</b>	<b>-110</b>

## Financial statements 1 July 2017 - 30 June 2018

### Notes to the financial statements

#### 10 Deferred income

Deferred income primarily consists of proceeds from the sale and lease back of fixed assets. The proceeds is recognised in the income statement in line with the maturity of the lease agreement.

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

##### Other financial obligations

Other rent and lease liabilities:

DKK'000	2017/18	2016/17
Rent and lease liabilities	<u>63,595</u>	<u>7,600</u>

#### 12 Collateral

The Company has not provided any security or other collateral in assets at 30 June 2018.

#### 13 Related parties

Mountain Top Industries ApS' related parties comprise the following:

##### Parties exercising control

Related party	Domicile	Basis for control
Mountain Top Group ApS	Frederikssund	Ownership

##### Related party transactions

Mountain Top Industries ApS was engaged in the below related party transactions:

DKK'000	2017/18
Revenue	9,782
Management fee to related parties	-976
Receivables from related parties	11,784
Payables to related parties	-212

DKK'000	2017/18	2016/17
<b>14 Appropriation of profit</b>		
<b>Recommended appropriation of profit</b>		
Proposed dividend recognised under equity	0	76,361
Extraordinary dividend distributed in the year	111,257	0
Retained earnings	<u>13,734</u>	<u>7,786</u>
	<u>124,991</u>	<u>84,147</u>