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ETK EMS GROUP APS

Industrivej 45
Stilling
8660 Skanderborg

CVR no. 27 52 31 88

ANNUAL REPORT FOR 2016/17 **(11th Financial year)**

Adopted at the annual general
meeting on
26. oktober 2017

chairman

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STATEMENT BY MANAGEMENT ON THE ANNUAL REPORT

The executive board has today discussed and approved the annual report of ETK EMS Group ApS for the financial year 1 July 2016 - 30 June 2017.

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

In my opinion, the financial statements give a true and fair view of the company's financial position at 30 June 2017 and of the results of the company's operations for the financial year 1 July 2016 - 30 June 2017.

In my opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved at the annual general meeting.

Skanderborg, 26 October 2017

Executive board

Thomas Vinter
President

INDEPENDENT AUDITOR'S REPORT

To the shareholders of ETK EMS Group ApS

Opinion

We have audited the financial statements of ETK EMS Group ApS for the financial year 1 July 2016 - 30 June 2017, which comprise a summary of significant accounting policies, income statement, balance sheet and notes. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 30 juni 2017 and of the results of the company's operations for the financial year 1 July 2016 - 30 June 2017 in accordance with the Danish Financial Statements Act.

Basis for Opinion

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

Management's responsibilities for the financial statements

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Statement on management's review

Management is responsible for management's review.

Our opinion on the financial statements does not cover 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 management's review and, in doing so, consider whether 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 management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that management's review 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 management's review.

Skanderborg, 26 October 2017

ADVOSION

statsautoriseret revisionspartnerselskab
CVR no. 37 55 70 64

Ole Christensen
State Authorised Public Accountant

Henrik Hansen
State Authorised Public Accountant

COMPANY DETAILS

The company

ETK EMS Group ApS
Industrivej 45
Stilling
8660 Skanderborg

CVR no.: 27 52 31 88
Reporting period: 1 July 2016 - 30 June 2017
Domicile: Skanderborg

Executive board

Thomas Vinter, President

Auditors

ADVOSION
statsautoriseret revisionspartnerselskab
Kristiansvej 13
8660 Skanderborg

MANAGEMENT'S REVIEW

Business activities

The company's primary activity is to be a holding company.

Business review

The Company's income statement for the year ended 30 June shows a profit of EUR 1,934,517, and the balance sheet at 30 June 2017 shows equity of EUR 7,576,416.

MANAGEMENT'S REVIEW

Financial review

By the financial year 2016/17, ETK EMS Group has added yet another year of expected growth that fulfill the expectation of the shareholders.

During the last year, the EMS market have shown exactly the need for a vision that support the unpredictability in the market. Some customer have had very stable growth and have won market shares and some customers have had difficulty in defending their shares. Some customers have made acquisitions and some been acquired.

ETK EMS's vision is to be scalable in all perspectives in balance with profitability and we are pleased to see that we in 2016/17 again have managed to secure two digits growth rates.

In late financial year, 2015/16 ETK EMS opened yet another factory in Rayong, Thailand and this first year of extended capacity gave growth to new major accounts. Already now, these accounts having significant presence and will be part of the platforms for our growth in the upcoming years.

The plan for growth towards 2020 is ahead of targets.

The continued development of the strong back-end competence center in Rayong, Thailand that serves all divisions of the Group have added additional competences to the team in 2016/17. Latest competence added is building of test platforms and fixtures. This back office center have again in the last year supported the financial result in both ETK EMS Skanderborg and ETK EMS Frederikssund making these divisions capable of achieving a result higher than the expected numbers by the Top Management.

All 3 sites have in 2016/17 had very stable turnover for all the known and long-term relationship customers. Besides this, all 3 sites have also had satisfactory growth in establishment of new customer relationship. In the last year the sales organization have been strength with additional experienced key account management staff. The outcome of this extension did not have impact to 2016/17 result but expected in minor degree in 2017/18 financial year.

The result for ETK EMS Group ApS 2016/17 was budgeted to be in the area of 8-10% growth on net result profit before tax. We achieved 11%, which is very satisfactory for the Management. The expectation for the financial year 2017/18 is to reach growth of 9-11%. After 4 months of this financial year, these numbers are looking realistic assuming that there are no potential impacts beyond management's control.

Entering into 2018 where ETK EMS will celebrate 40 years of anniversary the organization and business systems have never been stronger. With the extended support and drive from our global customer base we feel comfortable that we will fulfill the growth plan and profit targets set by the shareholders.

MANAGEMENT'S REVIEW

Significant events occurring after end of reporting period

No events have occurred after the balance sheet date which could significantly affect the company's financial position.

Thomas Vinter
President, Partner

Torben Drejer
COO, Partner

ACCOUNTING POLICIES

The annual report of ETK EMS Group ApS for 2016/17 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected provisions as regards larger entities.

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

The annual report for 2016/17 is presented in EUR.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report are presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Gross profit

In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue.

Gross profit reflects an aggregation of revenue, changes in inventories of finished goods and work in progress and other operating income less raw materials and consumables and other external expenses.

Other external expenses

Other external expenses include expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

ACCOUNTING POLICIES

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses, financial expenses relating to finance leases, realised and unrealised capital/exchange gains and losses on securities and foreign currency transactions, amortisation of mortgage loans and surcharges and allowances under the advance-payment-of-tax scheme, etc.

Tax on profit/loss for the year

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, including changes arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to entries directly in equity.

Balance sheet

Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured at the proportionate share of the net asset value of the entities, calculated on the basis of the group's accounting policies, less or plus unrealised intra-group gains or losses and plus or less any remaining value of positive or negative goodwill made up according to the purchase method.

Investments in subsidiaries and associates with a negative net asset value are measured at DKK 0, and the carrying amount of any receivables from these entities is reduced to the extent that they are considered irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the receivable, the balance is recognised under provisions.

Net revaluations of investments in subsidiaries and associates are taken to the net revaluation reserve according to the equity method to the extent that the carrying amount exceeds the cost. Dividends from subsidiaries which are expected to be declared before the annual report of ETK EMS Group ApS is adopted are not taken to the net revaluation reserve.

Acquisitions are accounted for using the purchase method, cf. the description of the statement of goodwill above.

Receivables

Receivables are measured at amortised cost.

ACCOUNTING POLICIES

Liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. On subsequent recognition, the financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities, which include trade receivables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

INCOME STATEMENT 1 JULY - 30 JUNE

	<u>Note</u>	<u>2016/17</u> EUR	<u>2015/16</u> EUR
Gross profit		-1,439	-1,621
Profit/loss before financial income and expenses		-1,439	-1,621
Income from investments in subsidiaries		1,958,461	1,715,009
Financial income	1	44,946	82,411
Financial costs	2	<u>-109,610</u>	<u>-93,365</u>
Profit/loss before tax		1,892,358	1,702,434
Tax on profit/loss for the year	3	<u>14,689</u>	<u>2,767</u>
Net profit/loss for the year		<u>1,907,047</u>	<u>1,705,201</u>
Proposed dividend for the year		537,880	1,344,200
Reserve for net revaluation under the equity method		1,420,581	370,745
Retained earnings		<u>-51,414</u>	<u>-9,744</u>
		<u>1,907,047</u>	<u>1,705,201</u>

BALANCE SHEET 30 JUNE

	<u>Note</u>	<u>2017</u> EUR	<u>2016</u> EUR
Assets			
Investments in subsidiaries	4	<u>15,389,617</u>	<u>13,538,916</u>
Fixed asset investments		<u>15,389,617</u>	<u>13,538,916</u>
Fixed assets total		<u>15,389,617</u>	<u>13,538,916</u>
Receivables from subsidiaries		0	1,321,332
Receivables from associates		134,470	134,420
Deferred tax asset		<u>0</u>	<u>444</u>
Receivables		<u>134,470</u>	<u>1,456,196</u>
Cash at bank and in hand		<u>0</u>	<u>134,420</u>
Current assets total		<u>134,470</u>	<u>1,590,616</u>
Assets total		<u><u>15,524,087</u></u>	<u><u>15,129,532</u></u>

BALANCE SHEET 30 JUNE

	<u>Note</u>	<u>2017</u> EUR	<u>2016</u> EUR
Liabilities and equity			
Share capital		16,809	16,803
Reserve for net revaluation under the equity method		6,986,428	5,563,777
Retained earnings		7,829	59,222
Proposed dividend for the year		<u>537,880</u>	<u>1,344,200</u>
Equity	5	<u>7,548,946</u>	<u>6,984,002</u>
Payables to subsidiaries		7,971,779	8,098,584
Other payables		<u>3,362</u>	<u>46,946</u>
Short-term debt		<u>7,975,141</u>	<u>8,145,530</u>
Debt total		<u>7,975,141</u>	<u>8,145,530</u>
Liabilities and equity total		<u>15,524,087</u>	<u>15,129,532</u>
Charges and securities	6		

NOTES

	<u>2016/17</u>	<u>2015/16</u>
	EUR	EUR
1 Financial income		
Exchange adjustments	<u>44,946</u>	<u>82,411</u>
	<u>44,946</u>	<u>82,411</u>
2 Financial costs		
Financial expenses, group entities	55,601	0
Other financial costs	54,677	93,365
Exchange loss	<u>-668</u>	<u>0</u>
	<u>109,610</u>	<u>93,365</u>
3 Tax on profit/loss for the year		
Current tax for the year	-15,133	-2,767
Deferred tax for the year	<u>444</u>	<u>0</u>
	<u>-14,689</u>	<u>-2,767</u>

NOTES

	2017 EUR	2016 EUR
4 Investments in subsidiaries		
Cost at 1 July 2016	6,630,939	6,630,939
Exchange adjustment	2,466	0
Additions for the year	1,231,238	0
Cost at 30 June 2017	<u>7,864,643</u>	<u>6,630,939</u>
Revaluations at 1 July 2016	6,932,095	5,303,225
Exchange adjustment	2,569	-110,257
Net profit/loss for the year	2,169,502	1,949,414
Received dividend	-1,344,700	0
Amortisation of goodwill	-234,492	-234,405
Revaluations at 30 June 2017	<u>7,524,974</u>	<u>6,907,977</u>
Carrying amount at 30 June 2017	<u>15,389,617</u>	<u>13,538,916</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
ETK EMS Skanderborg A/S	Skanderborg	1,340,000 DKK	100%
ETK EMS Frederikssund A/S	Frederikssund	800,000 DKK	100%
ETK EMS Asia Ltd.	Thailand	90,265,500 Bath	100%
ETK EMS Properties ApS	Skanderborg	125.000 DKK	100%

5 Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
Equity at 1 July 2016	16,803	5,563,777	59,222	1,344,200	6,984,002
Exchange adjustments	6	2,070	21	0	2,097
Ordinary dividend paid	0	0	0	-1,344,200	-1,344,200
Net profit/loss for the year	0	1,420,581	-51,414	537,880	1,907,047
Equity at 30 June 2017	<u>16,809</u>	<u>6,986,428</u>	<u>7,829</u>	<u>537,880</u>	<u>7,548,946</u>

NOTES

6 Charges and securities

Shares of nom. EUR 180,190 for ETK EMS Skanderborg A/S have been posted as security for bank debt in ETK EMS Skanderborg A/S and ETK EMS Frederikssund A/S.

ETK EMS Group ApS has issued a guarantee for bank debt of its subsidiaries of ETK EMS Skanderborg A/S and ETK EMS Frederikssund A/S.

The company is jointly and severally liable for tax on consolidated taxable income and dividend tax. The total amount of income tax payable etc. is shown in the annual report for Javitek ApS, which is the management company in relation to the joint taxation.