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Epoke Investment II A/S

Jægersborg Allé 4, 5. sal
2920 Charlottenlund
Central Business Registration No 33964730

Annual report 2019/20

The Annual General Meeting adopted the annual report on 10.07.2020

Chairman of the General Meeting

Name: Kristian la Cour

Contents

Entity details

Entity
Epoke Investment II A/S
Jægersborg Allé 4, 5. sal
2920 Charlottenlund

Central Business Registration No: 33964730
Registered in: Gentofte
Financial year: 01.03.2019 - 29.02.2020

Board of Directors
Søren Klarskov Vilby, Chairman
Kristian la Cour
Thomas Marstrand

Executive Board
Thomas Marstrand, CEO

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 Investment II A/S for the financial year 01.03.2019 - 29.02.2020.

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 29.02.2020 and of the results of its operations and cash flows for the financial year 01.03.2019 - 29.02.2020.

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.

Charlottenlund, 10.07.2020

Executive Board

Thomas Marstrand
CEO

Board of Directors

Søren Klarskov Vilby Chairman	Kristian la Cour	Thomas Marstrand

Independent auditor's report

To the shareholders of Epoke Investment II A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Epoke Investment II A/S for the financial year 01.03.2019 - 29.02.2020, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 29.02.2020, and of the results of their operations and the consolidated cash flows for the financial year 01.03.2019 - 29.02.2020 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group 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 consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and 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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity 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 consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and parent 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 consolidated financial statements and the parent 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 Group’s and 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 consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent auditor's report

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 commentary
Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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 consolidated financial statements and the parent 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, 10.07.2020

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

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

Lasse Lynggaard Wolff
State Authorised Public Accountant
Identification number (MNE) mne35802

Management commentary

	2019/20 DKK'000	2018/19 DKK'000	2017/18 DKK'000	2016/17 DKK'000	2015/16 DKK'000
Financial highlights					
Key figures					
Revenue	226,399	259,294	244,102	218,096	241,437
Gross profit/loss	96,825	99,109	85,239	75,787	90,485
Operating profit/loss	11,483	11,846	229	(7,048)	3,779
Net financials	(1,451)	(2,170)	(2,935)	(3,579)	(2,634)
Profit/loss for the year	5,494	6,930	(3,924)	(9,637)	(1,080)
Total assets	173,105	176,509	194,134	195,326	222,663
Investments in property, plant and equipment	2,134	2,834	3,646	5,450	18,889
Equity	121,065	115,437	107,165	109,918	119,898
Average invested capital incl goodwill	156,573	163,085	176,409	184,862	164,710
Ratios					
Gross margin (%)	42.8	38.2	34.9	34.7	37.5
Net margin (%)	2.4	2.7	(1.6)	(4.4)	(0.4)
Return on invested capital incl goodwill (%)	9.5	9.4	3.5	(0.7)	5.1
Return on equity (%)	4.6	6.2	(3.6)	(8.4)	(0.9)
Equity ratio (%)	69.9	65.4	55.2	56.3	53.8

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.

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 Group's primary activities are to develop, manufacture, market and sell Epoke, Brodd and Snowline machinery.

The Group's products are sold through own companies in Denmark, Germany 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 Group comes to DKK 226m against DKK 259m last year, the main share of which is attributable to exports.

Profit for the year before net financials is DKK 11,483k against a profit of DKK 11,846k for last year. Profit for the year after tax is DKK 5,494k against a profit of DKK 6,930k last year.

Epoke Group is a firmly based enterprise with a solvency ratio of 69,9% at 29 February 2020.

Profit/loss for the year in relation to expected developments
Management considers profit for the year not satisfactory and lower than expectations. The mild winter of this financial year resulted in less service and call outs than normal.

Outlook
Management expects an improved financial performance for the next financial year.

Particular risks
Currency risk
The Group's receivables and loans are primarily denominated in DKK. The Group does not apply financial instruments for the purpose of speculating.

Excess liquidity is deposited in money market accounts or the like. Therefore, the Group 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 Group 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
Epoke A/S holds a clean environmental approval dated 1 August 2000, and the 2019 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 foreign subsidiaries.

Epoke A/S aimes at receiving ISO 14001 certificate in the coming year.

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.

The preseason order intake shows no significant influence from the COVID-19.

Consolidated income statement for 2019/20

	Notes	2019/20 DKK'000	2018/19 DKK'000
Revenue		226,399	259,294
Changes in inventories of finished goods and work in progress		9,951	(11,510)
Other operating income	2	12,412	844
Cost of sales		(132,375)	(127,934)
Other external expenses		(19,562)	(21,585)
Gross profit/loss		**96,825**	**99,109**
Staff costs	3	(77,260)	(78,993)
Depreciation, amortisation and impairment losses		(8,082)	(8,270)
Operating profit/loss		**11,483**	**11,846**
Other financial income		318	854
Other financial expenses		(1,769)	(3,024)
Profit/loss before tax		**10,032**	**9,676**
Tax on profit/loss for the year	4	(4,538)	(2,746)
Profit/loss for the year	5	**5,494**	**6,930**

Consolidated balance sheet at 29.02.2020

	Notes	2019/20 DKK'000	2018/19 DKK'000
Completed development projects		0	74
Goodwill		5,223	8,593
Intangible assets	6	**5,223**	**8,667**
Land and buildings		19,778	22,197
Plant and machinery		7,227	8,926
Other fixtures and fittings, tools and equipment		2,162	1,758
Leasehold improvements		0	7
Property, plant and equipment in progress		23	102
Property, plant and equipment	7	**29,190**	**32,990**
Deposits		61	61
Fixed asset investments	8	**61**	**61**
Fixed assets		**34,474**	**41,718**
Raw materials and consumables		28,126	34,835
Work in progress		11,427	9,529
Manufactured goods and goods for resale		49,401	41,348
Inventories		**88,954**	**85,712**
Trade receivables		24,046	39,383
Deferred tax	9	921	1,271
Other receivables		13,558	1,235
Income tax receivable		0	1,920
Prepayments	10	1,883	1,443
Receivables		**40,408**	**45,252**
Other investments		2	3
Other investments		**2**	**3**
Cash		**9,267**	**3,824**
Current assets		**138,631**	**134,791**
Assets		**173,105**	**176,509**

Consolidated balance sheet at 29.02.2020

	Notes	2019/20 DKK'000	2018/19 DKK'000
Contributed capital		3,250	3,250
Retained earnings		117,815	112,187
Equity		**121,065**	**115,437**
Other provisions	12	3,262	3,590
Provisions		**3,262**	**3,590**
Subordinate loan capital		0	300
Debt to other credit institutions		7,575	10,140
Other payables		3,277	662
Non-current liabilities other than provisions	13	**10,852**	**11,102**
Current portion of long-term liabilities other than provisions	13	1,613	1,948
Bank loans		662	7,387
Prepayments received from customers		8,543	8,351
Trade payables		9,892	11,659
Income tax payable		4,193	0
Other payables	14	13,023	17,035
Current liabilities other than provisions		**37,926**	**46,380**
Liabilities other than provisions		**48,778**	**57,482**
Equity and liabilities		**173,105**	**176,509**
Events after the balance sheet date	1		
Financial instruments	16		
Unrecognised rental and lease commitments	17		
Mortgages and securities	18		
Subsidiaries	19		

Consolidated statement of changes in equity for 2019/20

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	3,250	112,187	115,437
Exchange rate adjustments	0	93	93
Fair value adjustments of hedging instruments	0	53	53
Tax of equity postings	0	(12)	(12)
Profit/loss for the year	0	5,494	5,494
Equity end of year	**3,250**	**117,815**	**121,065**

Consolidated cash flow statement for 2019/20

	Notes	2019/20 DKK'000	2018/19 DKK'000
Operating profit/loss		11,528	11,846
Amortisation, depreciation and impairment losses		8,082	8,270
Other provisions		(328)	117
Working capital changes	15	(2,831)	(353)
Gains and losses from the sale of assets under Other operating income		(11,306)	0
Cash flow from ordinary operating activities		**5,145**	**19,880**
Financial income received		273	805
Financial income paid		(1,769)	(3,024)
Income taxes refunded/(paid)		1,913	(5,612)
Cash flows from operating activities		**5,562**	**12,049**
Acquisition etc of property, plant and equipment		(2,101)	(2,834)
Sale of property, plant and equipment		12,569	469
Cash flows from investing activities		**10,468**	**(2,365)**
Instalments on loans etc		(3,862)	(2,007)
Sale of treasury shares		0	1,000
Instalments on subordinate loan capital		0	(300)
Cash flows from financing activities		**(3,862)**	**(1,307)**
Increase/decrease in cash and cash equivalents		**12,168**	**8,377**
Cash and cash equivalents beginning of year		(3,563)	(11,940)
Cash and cash equivalents end of year		**8,605**	**(3,563)**
Cash and cash equivalents at year-end are composed of:			
Cash		9,267	3,824
Short-term debt to banks		(662)	(7,387)
Cash and cash equivalents end of year		**8,605**	**(3,563)**

Notes to consolidated financial statements

1. 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.

The preseason order intake shows no significant influence from the COVID-19.

2. Other operating income

The Group has sold a property during the financial year with a gain of DKK 11,306k. The gain is presented under Other operating income due to the size of the amount.

	2019/20 DKK'000	2018/19 DKK'000
3. Staff costs		
Wages and salaries	71,003	71,365
Pension costs	4,620	4,798
Other social security costs	1,637	2,830
	77,260	**78,993**
Average number of employees	**187**	**196**

	Remuneration of management 2019/20 DKK'000	Remuneration of management 2018/19 DKK'000
Board of Directors	320	320
	320	**320**

	2019/20 DKK'000	2018/19 DKK'000
4. Tax on profit/loss for the year		
Tax on current year taxable income	4,188	2,711
Change in deferred tax for the year	350	(12)
Adjustment concerning previous years	0	47
	4,538	**2,746**

	2019/20 DKK'000	2018/19 DKK'000
5. Proposed distribution of profit/loss		
Retained earnings	5,494	6,930
	5,494	**6,930**

Notes to consolidated financial statements

	Completed development projects DKK'000	Goodwill DKK'000
6. Intangible assets		
Cost beginning of year	759	33,847
Disposals	0	(250)
Cost end of year	**759**	**33,597**
Amortisation and impairment losses beginning of year	(685)	(25,254)
Amortisation for the year	(74)	(3,370)
Reversal regarding disposals	0	250
Amortisation and impairment losses end of year	**(759)**	**(28,374)**
Carrying amount end of year	**0**	**5,223**

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000
7. Property, plant and equipment				
Cost beginning of year	53,506	41,989	13,658	83
Exchange rate adjustments	(33)	(5)	2	0
Transfers	0	79	0	0
Additions	138	441	1,555	0
Disposals	(3,748)	0	(310)	0
Cost end of year	**49,863**	**42,504**	**14,905**	**83**
Depreciation and impairment losses beginning of the year	(31,309)	(33,063)	(11,900)	(76)
Exchange rate adjustments	1	3	(2)	0
Depreciation for the year	(1,502)	(2,217)	(919)	(7)
Reversal regarding disposals	2,725	0	78	0
Depreciation and impairment losses end of the year	**(30,085)**	**(35,277)**	**(12,743)**	**(83)**
Carrying amount end of year	**19,778**	**7,227**	**2,162**	**0**

Notes to consolidated financial statements

	Property, plant and equipment in progress DKK'000
7. Property, plant and equipment	
Cost beginning of year	102
Exchange rate adjustments	0
Transfers	(79)
Additions	0
Disposals	0
Cost end of year	**23**
Depreciation and impairment losses beginning of the year	0
Exchange rate adjustments	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	**23**

	Deposits DKK'000
8. Fixed asset investments	
Cost beginning of year	61
Cost end of year	**61**
Carrying amount end of year	**61**

	2019/20 DKK'000	2018/19 DKK'000
9. Deferred tax		
Intangible assets	(136)	(129)
Property, plant and equipment	1,039	1,471
Inventories	(178)	(290)
Receivables	(151)	(100)
Provisions	347	319
	921	**1,271**
Changes during the year		
Beginning of year	1,271	
Recognised in the income statement	(350)	
End of year	**921**	

Notes to consolidated financial statements

Deferred tax assets mainly relate to accelerated depreciation on property, plant and equipment. Losses regarding property has been written down in 2019/20. 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.

10. Prepayments

Prepayments comprise incurred costs relating to subsequent financial years.

	Number	Nominal value DKK'000	Share of contributed capital %
11. Treasury shares			
Holding of treasury shares:			
Ordinary shares	8,811,795	88	2.7
	8,811,795	**88**	**2.7**

Treasury shares were acquired as part of purchasing shares from employees that have resigned from the Group.

12. Other provisions

Other provisions comprise service and warranty commitments.

	Instalments within 12 months 2019/20 DKK'000	Instalments within 12 months 2018/19 DKK'000	Instalments beyond 12 months 2019/20 DKK'000	Outstanding after 5 years DKK'000
13. Liabilities other than provisions				
Debt to other credit institutions	962	1,287	7,575	3,803
Other payables	651	661	3,277	3,179
	1,613	**1,948**	**10,852**	**6,982**

	2019/20 DKK'000	2018/19 DKK'000
14. Other short-term payables		
Wages and salaries, personal income taxes, social security costs, etc payable	3,696	4,117
Holiday pay obligation	6,855	9,631
Other costs payable	2,472	3,287
	13,023	**17,035**

Notes to consolidated financial statements

	2019/20 DKK'000	2018/19 DKK'000
15. Change in working capital		
Increase/decrease in inventories	(3,242)	9,781
Increase/decrease in receivables	2,575	1,736
Increase/decrease in trade payables etc	(2,257)	(12,242)
Other changes	93	372
	(2,831)	**(353)**

16. Financial instruments

Interest rate swap has been entered into in order to hedge the interest risk involved in bank loans until maturity. The fair value of the interest rate swap amounts to DKK 160k at 28.02.2020 and has been recognised as other payables. The interest rate swap guarantees a fixed interest rate of 4.08% on the loan concerned.

	2019/20 DKK'000	2018/19 DKK'000
2024, nominal amount	1,430	1,718
	1,430	**1,718**

	2019/20 DKK'000	2018/19 DKK'000
17. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	**2,335**	**3,284**

18. Mortgages and securities

Debt to other credit institutions, DKK 8,537k, 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 6,797k and the carrying amount of mortgaged plant is DKK 6,361k.

As collateral for bank loans, DKK 662k, the Group has issued a floating company charge for Epoke A/S at nominal value DKK 30,000k including inventories, trade receivables, intangible assets and other fixtures and fittings, tools and equipment, which amounts to DKK 93,829k.

Notes to consolidated financial statements

	Registered in	Corporate form	Equity interest %
19. Subsidiaries			
Epoke A/S	Vejen	A/S	100.0
Alfred Thomsen GmbH	Eichenzell, Germany	GmbH	100.0
Epoke Maschinenbau GmbH & Co. KG	Eichenzell, Germany	GmbH & Co. KG	100.0
Epoke Sp. z.o.o.	Warzawa, Poland	Sp. z.o.o.	100.0
Ejendomsselskabet Skibelund ApS	Gentofte	ApS	100.0
Brodd Sweden AB	Sweden	AB	100.0
Brodd Polonia Sp. z.o.o.	Poland	Sp. z.o.o.	100.0

Parent income statement for 2019/20

	Notes	2019/20 DKK'000	2018/19 DKK'000
Other external expenses		(122)	(106)
Operating profit/loss		**(122)**	**(106)**
Income from investments in group enterprises		5,237	6,676
Other financial income	1	456	498
Other financial expenses		(5)	(7)
Profit/loss before tax		**5,566**	**7,061**
Tax on profit/loss for the year	2	(72)	(131)
Profit/loss for the year	3	**5,494**	**6,930**

Parent income statement for 2019/20

	Notes	2019/20 DKK'000	2018/19 DKK'000
Investments in group enterprises		105,318	99,947
Fixed asset investments	4	**105,318**	**99,947**
Fixed assets		**105,318**	**99,947**
Receivables from group enterprises		16,063	12,786
Income tax receivable		0	520
Joint taxation contribution receivable		956	2,710
Receivables		**17,019**	**16,016**
Cash		**2**	**15**
Current assets		**17,021**	**16,031**
Assets		**122,339**	**115,978**

Parent balance sheet at 29.02.2020

	Notes	2019/20 DKK'000	2018/19 DKK'000
Contributed capital	5, 6	3,250	3,250
Reserve for net revaluation according to the equity method		4,344	0
Retained earnings		113,471	112,187
Equity		**121,065**	**115,437**
Subordinate loan capital		0	300
Non-current liabilities other than provisions		**0**	**300**
Payables to group enterprises		206	187
Income tax payable		1,013	0
Joint taxation contribution payable		15	14
Other payables		40	40
Current liabilities other than provisions		**1,274**	**241**
Liabilities other than provisions		**1,274**	**541**
Equity and liabilities		**122,339**	**115,978**

Contingent liabilities	7
Related parties with controlling interest	8
Transactions with related parties	9

Parent statement of changes in equity for 2019/20

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	3,250	0	112,187	115,437
Other equity postings	0	0	134	134
Transfer to reserves	0	4,344	(4,344)	0
Profit/loss for the year	0	0	5,494	5,494
Equity end of year	**3,250**	**4,344**	**113,471**	**121,065**

Notes to parent financial statements

	2019/20 DKK'000	2018/19 DKK'000
1. Other financial income		
Financial income arising from group enterprises	456	498
	456	**498**

	2019/20 DKK'000	2018/19 DKK'000
2. Tax on profit/loss for the year		
Tax on current year taxable income	72	84
Adjustment concerning previous years	0	47
	72	**131**

	2019/20 DKK'000	2018/19 DKK'000
3. Proposed distribution of profit/loss		
Retained earnings	5,494	6,930
	5,494	**6,930**

	Investments in group enterprises DKK'000
4. Fixed asset investments	
Cost beginning of year	100,974
Cost end of year	**100,974**
Transfers	4,344
Revaluations end of year	**4,344**
Impairment losses beginning of year	(1,027)
Transfers	(4,344)
Amortisation of goodwill	(2,574)
Share of profit/loss for the year	7,811
Other adjustments	134
Impairment losses end of year	**0**
Carrying amount end of year	**105,318**

Notes to parent financial statements

	Number	Par value DKK'000	Nominal value DKK'000
5. Contributed capital			
Ordinary Shares	325,000,000	0	3,250
	325,000,000		**3,250**

	Number	Nominal value DKK'000	Share of contributed capital %
6. Treasury shares			
Holding of treasury shares:			
Ordinary Shares	8,811,795	88	2.7
	8,811,795	**88**	**2.7**

Treasury shares were acquired as part of purchasing shares from employees that have resigned from the Group.

7. Contingent liabilities

The Company serves as an administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable for income taxes etc. for the jointly taxed companies and for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these companies.

8. Related parties with controlling interest

Erhvervsinvest II K/S, Charlottenlund, Denmark, holds the majority of shares in the Company and thus exercises control over it.

9. 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.

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 consolidated financial statements and parent financial statements are consistent with those applied last year.

Material errors in previous years

It has been stated that the classification of the sub-items Manufactured goods and goods for resale and Work in progress under the item Inventories have not been presented correctly in previous years. The classification has been corrected for the figures for this year, and the previous year. The correction has a derived effect on the items Changes in inventories of finished goods and work in progress and Cost of sales in the income statement, and consequently DKK 1,729k has been moved in the comparative figures. The correction has no effect on profit/loss for the year, balance sheet total or equity.

It has also been stated that the presentation of the note Other payables have not been presented correctly in previous years and consequently, DKK 4,842k has been moved from Wages and salaries, personal income taxes, social security costs, etc payable to Holiday pay obligation to reflect the correct classification in the comparative figures. The correction has no impact on profit/loss for the year, balance sheet total or equity.

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.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Accounting policies

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Business combinations
Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful life. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful life is reassessed annually.

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. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate 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 recognised directly in equity.

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.

Accounting policies

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 and gains and losses from the sale of assets.

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

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.

Accounting policies

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.

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 from group enterprises
Other financial income from group enterprises comprises interest income etc on receivables from group enterprises.

Other financial income
Other financial income comprises dividends etc received on other investments, interest income, net capital gains on payables and transactions in foreign currencies as well as tax relief under the Danish Tax Prepayment Scheme etc.

Financial expenses from group enterprises
Financial expenses from group enterprises comprise interest expenses etc from payables to group enterprises.

Other financial expenses
Other financial expenses comprise interest expenses, 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 all Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable in-come (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 periods used are 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 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 amortisation period 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-manufactured assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs. For assets held under finance leases, cost is the lower of the asset’s fair value and present value of future lease payments.

Accounting policies

Indirect production costs in the form of indirect 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.

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 and assets subject to finance leases, 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.

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.

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 straigth-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 periods used are 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.

Accounting policies

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. Financing 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 carry forwards, 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.

Other investments
Securities recognised under current assets comprise listed securities measured at fair value (market price) at the balance sheet date.

Cash
Cash comprises cash in hand and bank deposits.

Treasury shares
Acquisition and selling prices and dividends for treasury shares are classified directly as equity under retained earnings. Gains and losses on sale are not recognised in the income statement.

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.

Accounting policies

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 calculated 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, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash less short-term bank loans.