

PKF Munkebo Vindelev
Statsautoriseret Revisionsaktieselskab

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BU Power Systems Denmark ApS

Bygmestervej 7B, 5750 Ringe

Company reg. no. 38 11 80 99

Annual report

2019

The annual report was submitted and approved by the general meeting on the 30 March 2020.

Franz Klemens Focks
Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's report

The managing director has today presented the annual report of BU Power Systems Denmark ApS for the financial year 1 January to 31 December 2019.

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

I consider the accounting policies used appropriate, and in my opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position at 31 December 2019 and of the company's results of its activities in the financial year 1 January to 31 December 2019.

I am of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Ringe, 30 March 2020

Managing Director

Franz Klemens Focks

Independent auditor's report

To the shareholder of BU Power Systems Denmark ApS

Opinion

We have audited the annual accounts of BU Power Systems Denmark ApS for the financial year 1 January to 31 December 2019, which comprise accounting policies used, profit and loss account, balance sheet and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2019 and of the results of the company's operations for the financial year 1 January to 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

The company has not complied with the Danish legislation and requirements to prepare transfer pricing documentation (Master File and Local File), and the management may therefore incur liability.

The management's responsibilities for the annual accounts

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

In preparing the annual accounts, the management is responsible for evaluating the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless the management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the annual accounts.

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and perform audit procedures in response 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the 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 by the management and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's preparation of the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about 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 annual accounts 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 annual accounts, including the disclosures in the notes, and whether the annual accounts reflect 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 the internal control that we identify during our audit.

Statement on the management's review

The management is responsible for the management's review.

Our opinion on the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

In connection with our audit of the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, 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 believe that the management's review is in accordance with the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not find any material misstatement in the management's review.

Glostrup, 30 March 2020

PKF Munkebo Vindelev

State Authorised Public Accountants
Company reg. no. 14 11 92 99

Kasper Vindelev

State Authorised Public Accountant
mne29389

Company data

The company

BU Power Systems Denmark ApS
Bygmestervej 7B
5750 Ringe

Company reg. no. 38 11 80 99
Established: 13 October 2016
Domicile: Faaborg-Midtfyn Municipality
Financial year: 1 January - 31 December
3rd financial year

Managing Director

Franz Klemens Focks

Auditors

PKF Munkebo Vindelev, Statsautoriseret Revisionsaktieselskab
Hovedvejen 56
2600 Glostrup

Bankers

Sydbank A/S, Sdr. Boulevard 39-41, 5000 Odense C

Parent company

BU Power Group GmbH

Financial highlights

DKK in thousands.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
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Profit and loss account:

Gross profit	2.646	3.241	1.859
Results from operating activities	47	413	-1.510
Net financials	-36	-21	-113
Results for the year	6	303	-1.268

Balance sheet:

Balance sheet sum	2.703	2.591	3.661
Investments in tangible fixed assets represent	0	266	1.903
Equity	581	574	271

Employees:

Average number of full time employees	5	6	6
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The financial highlights for 2017 comprise the period 13 October 2016 - 31 December 2017.

Management's review

The principal activities of the company

Like previous year, the principal activities are sales of engines, spare parts and supply of tech and support services.

Uncertainties as to recognition or measurement

The management considers the valuation of the deferred tax asset as reliable but acknowledges that there is risk connected to the valuation. The valuation depends on the company's future earnings.

Development in activities and financial matters

The gross profit for the year is DKK 2.646.000 against DKK 3.241.000 last year. The results from ordinary activities after tax are DKK 6.000 against DKK 303.000 last year. The management considers the results unsatisfactory.

Events subsequent to the financial year

No events have occurred subsequent to the balance sheet date, which would have material impact on the financial position of the company.

Accounting policies used

The annual report for BU Power Systems Denmark ApS is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises. Furthermore, the company has chosen to comply with some of the rules applying for class C enterprises.

Changes in the accounting policies used

The classification of the item "staff cost" has been changed so that certain types of costs that previously have been recognised under staff cost in the future are recognised under the item "other external charges".

The change in classification has no effect on the profit for the year or the balance sheet, neither for the current financial year, nor for the previous financial year. The comparative figures have been adjusted in accordance with the change of classification.

Apart from the above, the annual accounts have been prepared in accordance with the same accounting policies as last year. The annual accounts are presented in Danish kroner (DKK).

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

Certain fixed asset investments and liabilities are measured at amortised cost, by which method a fixed, effective interest is recognised during the useful life of the asset or the liability. Amortised cost is recognised as the original cost with deduction of any payments and additions/deductions of the accrued amortisation of the difference between cost and nominal amount. In this way capital losses and capital profits are spread over the useful life.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concern matters existing on the balance sheet date.

Accounting policies used

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

Income statement

Gross profit

The gross profit comprises the net turnover, changes in inventories of finished goods, other operating income, and other external costs.

The net turnover is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Cost of sales includes costs for the purchase of manufactured and trade goods and less discounts and changes in inventories.

Other operating income comprises accounting items of secondary nature in proportion to the principal activities of the enterprise, including gains on disposal of intangible and tangible fixed assets.

Other external costs comprise costs for sales, vehicles, administration and premises.

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

Accounting policies used

Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities. Financial income and expenses are recognised in the profit and loss account with the amounts that concern the financial year.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The balance sheet

Intangible fixed assets

Development projects, patents, and licences

Software licenses are measured at cost with deduction of accrued amortisation. Software licenses are amortised over 5 years.

Goodwill

Acquired goodwill is measured at cost with deduction of accumulated amortisation. As it is not possible to determine a reliable estimate of the useful life, the amortisation period is set at 10 years.

Tangible fixed assets

Tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown.

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

If the amortisation period or the residual value is changed, the effect on amortisation will in the future be recognised as a change in the accounting estimates.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing.

Accounting policies used

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life:

	Useful life
Technical plants and machinery	5 years
Other plants, operating assets, fixtures and furniture	2-7 years

Assets with a cost price of less than DKK 13.800 are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or losses are recognised in the profit and loss account as other operating income or other operating expenses.

Inventories

Inventories of spare parts are measured at cost on the basis of measured average prices. In case the net realisable value is lower than the cost, writedown takes place at this lower value.

Inventories of engines are measured at cost by using separate valuation specified by serial numbers. In case the net realisable value of the inventories is lower than the cost, writedown takes place to this lower value.

The cost for manufactured and trade goods comprises the acquisition cost with the addition of the delivery costs.

The net realisable value for inventories is recognised as the market price with deduction of completion costs and selling costs. The net realisable value is determined taking into consideration the negotiability, obsolescence, and development of the expected market price.

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Accrued income and deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

Available funds

Available funds comprise cash at bank.

Accounting policies used

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax assets, including the tax value of tax losses eligible for carry-over, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Liabilities

Financial liabilities related to borrowings are recognised at the received proceeds with the deduction of transaction costs incurred. In following periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value by use of the effective interest. The difference between the proceeds and the nominal value is recognised in the profit and loss account during the term of the loan.

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

Profit and loss account 1 January - 31 December

All amounts in DKK.

Note	2019	2018
Gross profit	2.645.813	3.241.266
2 Staff costs	-2.290.625	-2.493.670
Depreciation, amortisation and writedown relating to tangible and intangible fixed assets	-308.156	-334.751
Operating profit	47.032	412.845
Other financial income	743	15.617
3 Other financial costs	-37.239	-36.237
Results before tax	10.536	392.225
4 Tax on ordinary results	-4.159	-88.764
Results for the year	6.377	303.461
Proposed distribution of the results:		
Allocated to results brought forward	6.377	303.461
Distribution in total	6.377	303.461

Balance sheet 31 December

All amounts in DKK.

Assets			
<u>Note</u>		<u>2019</u>	<u>2018</u>
Fixed assets			
5	Acquired concessions, patents, licenses, trademarks and similar rights	266.733	0
6	Goodwill	24.496	28.000
	Intangible fixed assets in total	<u>291.229</u>	<u>28.000</u>
7	Production plant and machinery	28.254	48.000
8	Other plants, operating assets, and fixtures and furniture	631.317	896.229
	Tangible fixed assets in total	<u>659.571</u>	<u>944.229</u>
	Fixed assets in total	<u>950.800</u>	<u>972.229</u>
Current assets			
	Manufactured goods and trade goods	230.170	133.166
	Inventories in total	<u>230.170</u>	<u>133.166</u>
	Trade debtors	928.617	646.506
9	Deferred tax assets	261.474	265.633
	Other debtors	43.202	75.035
	Accrued income and deferred expenses	28.675	36.291
	Debtors in total	<u>1.261.968</u>	<u>1.023.465</u>
	Available funds	<u>260.321</u>	<u>462.047</u>
	Current assets in total	<u>1.752.459</u>	<u>1.618.678</u>
	Assets in total	<u>2.703.259</u>	<u>2.590.907</u>

Balance sheet 31 December

All amounts in DKK.

Equity and liabilities			
<u>Note</u>		<u>2019</u>	<u>2018</u>
Equity			
10	Contributed capital	50.000	50.000
11	Results brought forward	530.849	524.472
	Equity in total	580.849	574.472
Liabilities			
12	Debt to group enterprises	0	741.771
	Other debts	77.971	0
	Long-term liabilities in total	77.971	741.771
	Trade creditors	753.384	488.983
	Debt to group enterprises	461.548	0
	Other debts	829.507	785.681
	Short-term liabilities in total	2.044.439	1.274.664
	Liabilities in total	2.122.410	2.016.435
	Equity and liabilities in total	2.703.259	2.590.907

1 Uncertainties concerning recognition and measurement

13 Contingencies

Notes

All amounts in DKK.

1. Uncertainties concerning recognition and measurement

When calculating the book value of certain assets, an assessment of how future events will influence the value is necessary.

The used assessments are based on assumptions, that the management regards as properly, but, in the cause of nature, are uncertain and unpredictable. The assumptions may have been incomplete or inaccurate, and unexpected events may occur.

The valuations of the deferred tax asset depend on the company's future earnings. Consequently, there is a risk connected to the valuation of this asset, as future earnings might fail to live up to the management's expectations.

	2019	2018
2. Staff costs		
Salaries and wages	1.853.819	2.066.772
Pension costs	390.522	383.079
Other costs for social security	18.650	19.786
Other staff costs	27.634	24.033
	2.290.625	2.493.670
 Average number of employees	 5	 6
3. Other financial costs		
Financial costs, group enterprises	16.414	33.960
Other financial costs	20.825	2.277
	37.239	36.237
4. Tax on ordinary results		
Adjustment for the year of deferred tax	4.159	88.764
	4.159	88.764

Notes

All amounts in DKK.

	31/12 2019	31/12 2018
5. Acquired concessions, patents, licenses, trademarks and similar rights		
Cost 1 January 2019	0	0
Additions during the year	291.077	0
Cost 31 December 2019	291.077	0
Amortisation and writedown 1 January 2019	0	0
Amortisation for the year	-24.344	0
Amortisation and writedown 31 December 2019	-24.344	0
Book value 31 December 2019	266.733	0
6. Goodwill		
Cost 1 January 2019	35.000	35.000
Cost 31 December 2019	35.000	35.000
Amortisation and writedown 1 January 2019	-7.000	-3.500
Amortisation for the year	-3.504	-3.500
Amortisation and writedown 31 December 2019	-10.504	-7.000
Book value 31 December 2019	24.496	28.000
7. Production plant and machinery		
Cost 1 January 2019	80.000	80.000
Disposals during the year	-9.000	0
Cost 31 December 2019	71.000	80.000
Depreciation and writedown 1 January 2019	-32.000	-16.000
Depreciation for the year	-15.396	-16.000
Reversal of depreciation, amortisation and writedown, assets disposed of	4.650	0
Depreciation and writedown 31 December 2019	-42.746	-32.000
Book value 31 December 2019	28.254	48.000

Notes

All amounts in DKK.

	31/12 2019	31/12 2018
8. Other plants, operating assets, and fixtures and furniture		
Cost 1 January 2019	1.458.612	1.215.353
Additions during the year	0	266.259
Disposals during the year	0	-23.000
Cost 31 December 2019	1.458.612	1.458.612
Depreciation and writedown 1 January 2019	-562.383	-252.115
Depreciation for the year	-264.912	-315.251
Reversal of depreciation, amortisation and writedown, assets disposed of	0	4.983
Depreciation and writedown 31 December 2019	-827.295	-562.383
Book value 31 December 2019	631.317	896.229
9. Deferred tax assets		
Deferred tax assets 1 January 2019	265.633	354.397
Deferred tax of the results for the year	-4.159	-88.764
	261.474	265.633
The following items are subject to deferred tax:		
Intangible fixed assets	-59.670	-660
Tangible fixed assets	-222	-9.009
Losses brought forward from previous years	321.366	275.302
	261.474	265.633
10. Contributed capital		
Contributed capital 1 January 2019	50.000	50.000
	50.000	50.000

Notes

All amounts in DKK.

	<u>31/12 2019</u>	<u>31/12 2018</u>
11. Results brought forward		
Results brought forward 1 January 2019	524.472	221.011
Profit or loss for the year brought forward	<u>6.377</u>	<u>303.461</u>
	<u>530.849</u>	<u>524.472</u>
12. Debt to group enterprises		
Debt to group enterprises in total	461.548	741.771
Share of amount due within 1 year	<u>-461.548</u>	<u>0</u>
	<u>0</u>	<u>741.771</u>
13. Contingencies		
Contingent liabilities		
Rental liabilities		
The company has entered into one separate tenancy agreement. The rental commitment is t.DKK 451 as of 31 December 2019.		