Pon Power A/S

Øresundsvej 9
6715 Esbjerg N

CVR no. 13 71 14 88

Annual report for the period 1 January – 31 December 2017

The annual report was presented and approved at the Company's annual general meeting on

25 May 2018

Patrick Petrus Johannes Dorothea van Alem
chairman

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Pon Power A/S for the financial year 1 January – 31 December 2017.

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

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017.

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

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

Esbjerg, 25 May 2018
Executive Board:

Kim Holdrup

Board of Directors:

Patrick Petrus Johannes Dorothea van Alem Chairman	Jan Alexander Kischel	Kim Holdrup

KPMG

Independent auditor's report

To the shareholder of Pon Power A/S

Opinion

We have audited the financial statements of Pon Power A/S for the financial year 1 January – 31 December 2017 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 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 rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility 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 that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made 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 judgement and maintain professional scepticism throughout the audit. We also

— identify and assess the risks of material misstatement of the company 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.

KPMG

Independent auditor's report

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

— conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

— evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

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

København, 25 May 2018
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Martin Eiler
State Authorised
Public Accountant
MNE no. 32271

Management's review

Company details

Pon Power A/S
Øresundsvej 9
6715 Esbjerg

Telephone:	76146400
Website:	www.pon-cat.com
CVR no.:	13 71 14 88
Established:	1 December 1989
Registered office:	Esbjerg
Financial year:	1 January – 31 December

Board of Directors

Patrick Petrus Johannes Dorothea van Alem, Chairman
Jan Alexander Kischel
Kim Holdrup

Executive Board

Kim Holdrup

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfaergevej 28
DK-2100 Copenhagen

Annual general meeting

The annual general meeting will be held on 25 May 2018

Management's review

Financial highlights

DKK'000	2017	2016	2015	2014	2013
Key figures					
Revenue	440,208	419,317	482,680	425,517	506,024
Gross profit/loss	94,142	89,541	135,623	114,830	155,349
Operating profit/loss	6,358	2,151	33,879	-1,555	22,815
Profit/loss for the year	4,787	1,327	24,966	-3,683	16,622
Current assets	178,306	185,792	177,461	179,308	258,016
Total assets	191,634	201,342	195,096	199,440	270,067
Equity	104,045	99,258	97,931	72,965	76,648
Investment in property, plant and equipment	0	560	281	1,795	2,322
Ratios					
Gross margin	21,4%	21,4%	28,1%	27,0%	30,7%
Operating margin	1,4%	0,5%	7,0%	0,0%	4,5%
Return on invested capital	3,2%	1,1%	34,6%	0,0%	8,7%
Current ratio	205,7%	183,6%	185,1%	151,9%	129,5%
Return on equity	4,7%	1,3%	29,2%	0,0%	14,0%
Solvency ratio	54,3%	49,3%	50,2%	36,6%	27,5%
Average number of full-time employees	124	126	139	172	182

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". The financial ratios have been calculated as follows:

Gross margin $\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$

Operating margin $\frac{\text{Operating profit/loss x 100}}{\text{Revenue}}$

Return on invested capital $\frac{\text{Operating profit/loss * 100}}{\text{Average invested capital}}$

Current ratio $\frac{\text{Current assets x 100}}{\text{Current liabilities}}$

Return on equity $\frac{\text{Profit/loss from ordinary activities after tax x 100}}{\text{Average equity}}$

Solvency ratio $\frac{\text{Equity ex. non-controlling interests at year end x 100}}{\text{Total equity and liabilities at year end}}$

Management's review

Operating review

Principal activities

The primary activity of the Company is sale and servicing of Caterpillar's engine range within Caterpillar and MAK primarily for the shipping and oil & gas markets in Denmark and for Danish vessels engaged in foreign trade. The Company's Danish operations are conducted from Esbjerg and Copenhagen. Operations at the Norwegian continental shelf are conducted by the Company's Norwegian branch. Pon Power A/S is wholly owned by Pon Holding Denmark A/S, which is part of the Pon Group.

Development in activities and financial position

Total revenue has increased by 4.9% in 2017, due to an increase in the number of engines sold. The aftersales market has remained steady.

This has lead to an increase in profit before financial income and expenses from DKK 2.2 million to 6.4 million in 2017.

Equity including the profit for the year at 31 December 2017, amounted to DKK 104.0 million (2016: 99.2 million) corresponding to a solvency ratio of 54,3% (2016: 49.3%).

Special risks - operating risks and financial risks

The Company's earnings have in recent years become more volatile compared to the past, which is a result of the high volatility in some core markets, especially in the Oil & Gas industry.

The Company's earnings have been steadily good but through the years based on a high aftersales portfolio and sensibility towards market and cyclical fluctuations is thereby reduced.

The shipping activities are primarily ruled by market terms and less by political agendas.

Energy systems are, to a higher extent, dependent on environment and energy political agendas as part of market terms.

The Company has functioned as an agent for Caterpillar for 50 years and naturally our principal is therefore an important supplier and partner in the continued development of the business.

The risk profile of the Company is conservative – in the best sense of the word – accepting calculated risks on core activities within sale and servicing of Caterpillar's complete engine programme.

Financial risks

The Company's exposure to currency and interest risk is modest and covered to the greatest possible extent.

The Company's exposure to credit risk is normal in this line of industry.

Corporate social responsibility cf. 99a Environment

The Company has a Code of Conduct that states the policies and ethical guidelines regarding corporate social responsibilities within the Company. A human rights and climate policy has not yet been developed. Code of Conduct is to be followed by all employees to ensure that the Company complies with existing laws and regulations. Being an ISO 14001 and OHSAS 18001 certified company, compliance with environmental legislation as well as compliance with occupational health and safety legislation are a part of the Company's policies.

As a dealer of engines and generator sets, Pon Power A/S operates in a business that has a substantial

Management's review

Operating review

impact on the environment. This is recognised in the Company and underlines the necessity of having an environmental focus in the daily business. The Company's activities are all ISO 14001 certified, and the Company plays an active role in our customers' compliance with legislation, especially when it comes to emission standards.

The Company's environmental policy focuses on development, marketing and sale of energy-efficient solutions as well as influencing suppliers to focus on environment. Compliance with current environmental legislation is also an important part of the policy.

Environment

Energy consumption is monitored and trends in consumption are analysed on a regular basis. Waste management is in place and development in waste fractions is also followed. Pon Power A/S also holds an environmental approval, and environmental operational control is performed according to requirements in this approval and according to internal requirements. Every year, goals are set for our environmental performance, and annual reports presenting status on our environmental performance are published at our website (www.pon-cat.com).

In 2016 an environmental programme was established with the defined goal to reduce the amount of consumed paper and toner (compared to 2015 figures). The programme consisted of several initiatives. Duplex (double-sided print) and grey scale printing was implemented as default settings where possible and electronic handling of incoming invoices was implemented in May 2016. The programme was very successful and resulted in an overall reduction of 50% in prints. The programme continued in 2017 where focus shifted to electronic handling of outgoing invoices and statements.

The Company does not have a formal policy on environment. The Company keeps strong focus on the working environment. We measure the employee satisfaction twice a year. End 2017, our score was -36. Our 2018 goal is +35. In the survey we divide the satisfaction into three groups - promotors, passives and detractors. All named detractors are interviewed in order to continuously improve our working environment.

Statement on diversity on corporate boards and management cf. 99b

The gender quotation on the Board of Directors reflects the underlying ownership structure, whereas the management team is selected locally. The Company has three board members, none are female. The Company has a target to hire one female before the end of 2022. The completion of the target could be hindered, if a female candidate is not found within the defined time frame.

The policy for diversity at other management levels in the Company is to have the best qualified persons in the individual management positions, while at the same time, we want to have an inclusive work place, and we believe that equal representation of gender, race and religion strengthens the Company's development. We define the other management levels as the Executive Board and heads of function.

Currently, Management consists of 4 people, represented by 1 female and 3 male. In future recruitments we will strive to further increase the level in local management. This we will do by focusing on ensuring that both men and women are amongst the candidates. In case of changes in the Board of Directors we will ensure the focus on the underrepresented gender in dialogue with the shareholders to increase the share.

Intellectual capital

The Company's ability to create value for customers and cooperators goes hand in hand with a continued development of our core values.

Sale and servicing of Caterpillar's complete engine programme place heavy demands on both technical

Management's review

Operating review

and personal skills.

The systematising of staff development meetings and the acquisition of new knowledge through training and practice is the key to preserve and strengthen the present competitiveness.

Outlook

For 2018, Management expects a decrease in turnover, but a maintained gross profit figure due to a change in sales mix. We also expect a positive net result.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2017	2016
Revenue	2	440,208	419,317
Expenses for raw materials and consumables		-304,933	-296,142
Other external costs	3	-41,133	-33,634
Gross profit		94,142	89,541
Staff costs	4	-86,020	-85,057
Depreciation of property, plant and equipment	8	-1,764	-2,333
Ordinary operating profit		6,358	2,151
Other operating costs		-7	148
Profit before financial income and expenses		6,351	2,299
Financial income		49	3
Financial expenses	5	-238	-583
Profit before tax		6,162	1,719
Tax on profit/loss for the year	6	-1,375	-392
Profit for the year	7	4,787	1,327

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2017	2016
ASSETS			
Fixed assets			
Property, plant and equipment	8		
Land and buildings		12,196	12,714
Fixtures and fittings, tools and equipment		991	2,473
		13,187	15,187
Investments	9		
Deposits		141	363
		141	363
Total fixed assets		13,328	15,550
Current assets			
Inventories			
Work in progress		13,047	14,766
Finished goods and goods for resale		38,577	59,665
		51,624	74,431
Receivables			
Trade receivables		74,745	87,091
Receivables from group entities		3,918	5,522
Other receivables		3,356	5,936
Deferred tax asset	10	5,070	6,369
Prepayments	11	1,822	1,475
		88,911	106,393
Cash at bank and in hand		37,771	4,968
Total current assets		178,306	185,792
TOTAL ASSETS		191,634	201,342

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2017	2016
EQUITY AND LIABILITIES			
Equity	12		
Contributed capital		5,000	5,000
Retained earnings		99,045	94,258
Total equity		104,045	99,258
Provisions	13		
Other provisions		212	872
Total provisions		212	872
Liabilities other than provisions			
Current liabilities other than provisions			
Other credit institutions		0	14
Trade payables		23,037	39,777
Payables to group entities		41,449	36,048
Corporation tax		0	1,730
Other payables		22,891	23,643
		87,377	101,212
Total liabilities other than provisions		87,377	101,212
TOTAL EQUITY AND LIABILITIES		191,634	201,342

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Statement of changes in equity

	Contributed capital	Retained earnings	Total
Equity at 1 January 2017	5,000	94,258	99,258
Transferred over the profit appropriation	0	4,787	4,787
Equity at 31 December 2017	5,000	99,045	104,045

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Pon Power A/S for 2017 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

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

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Pon Holding B.V., the Netherlands.

Foreign currency translation

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

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

Income statement

Revenue

Income from the sale of goods is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received.

Revenue from the sale of goods where delivery has been postponed at the buyer's request is recognised as revenue when ownership of the goods has been transferred to the buyer.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Revenue from the sale of services is recognised on a straight-line basis in the income statement as the services are provided.

Services based on time spent are recognised in revenue as the work is performed.

Staff costs

Staff costs comprise wages and salaries, pensions, other social contribution and other payroll expenses.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise costs to engines, spare parts and consumables.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Other operating costs

Other operating costs comprise items secondary to the activities of the entity, including losses on the disposal of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Property, plant and equipment

Land and buildings and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Buildings	40 years
Fixtures and fittings, tools and equipment	3-5 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Land is not depreciated.

Fixed assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

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

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined by taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, a write-down is made.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's credit risk management policy. The objective indicators used in relation to portfolios are determined on historical loss experience.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Provisions

Provisions comprise anticipated costs related to warranties, losses on work in progress, restructuring, etc. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at net realisable value. If the obligation is expected to be settled far into the future, the obligation is measured at fair value

Warranties comprise obligations to make good any defects within the warranty period of one to five years. Provisions for warranties are measured at net realisable value and recognised based on past experience. Provisions expected to be maintained for more than one year from the balance sheet date are discounted at the average bond interest rate.

Corporation tax and deferred tax

The Company is jointly taxed with other Danish companies in the Pon Group. The tax effect of the joint taxation with the Parent Company is allocated to Danish entities showing profits or losses in proportion to their taxable income (full allocation with credit for tax loses). The jointly taxed entities are included in the in-account tax scheme.

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities measured on the planned use of the asset or settlement of the liability respectively. However, deferred tax is not recognised on temporary differences relating to office buildings non-deductible for tax purposes and other items where temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity respectively.

Liabilities other than provisions

Liabilities are measured at net realisable value, which usually corresponds to the nominal value.

Leases

Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is discloosed as contingent liabilities etc.

Financial statements 1 January – 31 December

Notes

DKK'000	2017	2016
2 Revenue		
New engines	75,085	49,510
Used engines	17,487	21,355
Aftermarket sales	347,322	346,439
Other	314	2,013
	440,208	419,317

Revenue has generally been achieved in Denmark or on other markets, which do not deviate from this.

	2017	2016
3 Fees to auditor appointed at the general meeting		
Total fees to KPMG	287	280
Statutory audit	230	225
Tax assistance	26	25
Other services	31	30
	287	280

	2017	2016
4 Staff costs		
Wages and salaries	71,479	74,099
Other social security costs	6,974	7,167
Other staff costs	7,567	3,791
	86,020	85,057
Average number of employees	124	126

According to section 98B of the Danish Finnancial Statement Act, remuneration to the Executive Board has not been disclosed. There has been no remuneration to the Board of Directors.

	2017	2016
5 Financial expenses		
Interest expense to group entities	4	551
Other financial costs	234	32
	238	583

	2017	2016
6 Tax on profit/loss for the year		
Current tax for the year	0	1,804
Deferred tax for the year	1,299	-1,412
Adjustment of tax concerning previous years	76	0
	1,375	392

Financial statements 1 January – 31 December

Notes

DKK'000	2017	2016

7 Proposed profit appropriation

	2017	2016
Retained earnings	4,787	1,327
Total	4,787	1,327

8 Property, plant and equipment

DKK'000	Land and buildings	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2017	22,286	23,772	46,058
Disposals for the year	0	-236	-236
Cost at 31 December 2017	22,286	23,536	45,822
Depreciation and impairment losses at 1 January 2017	-9,572	-21,299	-30,871
Depreciation for the year	-518	-1,246	-1,764
Depreciation and impairment losses at 31 December 2017	-10,090	-22,545	-32,635
Carrying amount at 31 December 2017	12,196	991	13,187

9 Investments

DKK'000	Deposits
Cost at 1 January 2017	363
Disposals for the year	-222
Cost at 31 December 2017	141
Carrying amount at 31 December 2017	141

Financial statements 1 January – 31 December

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10 Deferred tax asset

DKK'000	2017	2016
Deferred tax asset at 1 January	6,369	4,957
Deferred tax adjustment for the year in the income statement	-1,299	1,412
	5,070	6,369
Provisions for deferred tax asset relate to:		
Property, plant and equipment	2,633	2,167
Current assets	1,033	3,486
Provisions	463	716
Tax loss carryforwards	941	0
	5,070	6,369

Deferred tax asset has been activated at 22% corresponding to the current tax rate

11 Prepayments

Prepayments consist of prepaid expenses related the subsequent financial year.

12 Equity

The share capital consists of 50.000 shares of a nominal value of DKK 100 each. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

13 Other provisions

DKK'000	2017	2016
Balance at 1 January	872	1,277
Provisions for the year, net	-660	-405
	212	872

Financial statements 1 January – 31 December

Notes

14 Contractual obligations, contingencies, etc.

Operating lease comittements

Within 1 year	6,378	0
Between 2 and 4 years	8,406	6,383
Above 5 years	266	9,296
Total	15,050	15,679

Issued bank guarantees amounted to DKK 2,376 thousand at 31 December 2017 (2016: DKK 2,108 thousand).

The Company is jointly taxed with the other Danish consolidated enterprises. As a consolidated enterprise, together with the other consolidated enterprises included in the joint taxation, the Company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties. Any subsequent corrections of income subject to joint taxation and withholding taxes, etc. may entail that the Company's liability will increase.

15 Related party disclosures

Pon Power A/S' related parties comprise the following:

Control

Pon Holding Denmark A/S, immediate parent company. The Company's ultimate parent company that prepares a Group annual report in which the Company is included as a subsidiary is Pon Holdings B.V., The Netherlands.

Pon Holdings B.V., ultimate parent company. The Group annual report of the foreign parent company can be obtained at the following adress: Pon Holdings B.V., Putterstraatweg 5, 3862 RA Nijkerk, The Netherlands.

Other related parties

Pon Power A/S' related parties with controlling interest comprise companies within the Pon Holdings B.V. Group and the companies' boards of directors, chief executive officer and executive employees and their family members.

Further, related parties comprise companies in which the above persons have substantial interests.

Related party transactions

In accordance with section 98c(7) of the Danish Financial Statements Act, the Company has not disclosed any related party transactions as they were conducted on an arm's length basis.