

SCANDINAVIAN FITTINGS & FLANGES ApS

Sallingsundvej 7
6715 Esbjerg N
Business Registration No
18251086

Annual report 2019

The Annual General Meeting adopted the annual report on 20.04.2020

Chairman of the General Meeting

Name: Claus Rønnpage Poulsen

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Entity details

Entity

SCANDINAVIAN FITTINGS & FLANGES ApS

Sallingsundvej 7

6715 Esbjerg N

Central Business Registration No (CVR): 18251086

Registered in: Esbjerg

Financial year: 01.01.2019 - 31.12.2019

Phone: 76127600

Board of Directors

Tore Christiansen, Chairman

Johan Frederik Brandt

Claus Rønnpage Poulsen

Executive Board

Claus Rønnpage Poulsen

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 SCANDINAVIAN FITTINGS & FLANGES ApS for the financial year 01.01.2019 - 31.12.2019.

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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

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.

Esbjerg, 10.03.2020

Executive Board

Claus Rønnpage Poulsen

Board of Directors

Tore Christiansen
Chairman

Johan Frederik Brandt

Claus Rønnpage Poulsen

Independent auditor's report

To the shareholders of SCANDINAVIAN FITTINGS & FLANGES ApS

Opinion

We have audited the financial statements of SCANDINAVIAN FITTINGS & FLANGES ApS for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 Entity's financial position at 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity 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 financial statements

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

In preparing the financial statements, Management is responsible for assessing the 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 financial statements unless Management either intends to liquidate the Entity 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 about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditor's report

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 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 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 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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the 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 financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the 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 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, 10.03.2020

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No (CVR) 33963556

John Lindvig Christiansen

State Authorised Public Accountant

Identification No (MNE) mne26846

Management commentary

Primary activities

The company's primary activity has been selling pipes, fittings and flanges to the Danish petrochemical industry, as well to industry in general.

Development in activities and finances

The result of the company's operations during the fiscal year is regarded as satisfactory.

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.

Income statement for 2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Gross profit		9.246.985	4.924.776
Staff costs	1	(5.056.565)	(4.145.414)
Depreciation, amortisation and impairment losses	2	<u>(352.008)</u>	<u>(369.311)</u>
Operating profit/loss		3.838.412	410.051
Income from investments in group enterprises		184.172	325.890
Other financial income	3	4.411	10.018
Other financial expenses	4	<u>(197.335)</u>	<u>(158.376)</u>
Profit/loss before tax		3.829.660	587.583
Tax on profit/loss for the year	5	<u>(813.125)</u>	<u>(80.097)</u>
Profit/loss for the year		<u>3.016.535</u>	<u>507.486</u>
Proposed distribution of profit/loss			
Transferred to reserve for net revaluation according to the equity method		184.172	325.890
Retained earnings		<u>2.832.363</u>	<u>181.596</u>
		<u>3.016.535</u>	<u>507.486</u>

Balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Other fixtures and fittings, tools and equipment		298.949	820.957
Property, plant and equipment	6	<u>298.949</u>	<u>820.957</u>
Investments in group enterprises		1.634.461	1.450.289
Deferred tax	8	<u>21.670</u>	<u>463.976</u>
Fixed asset investments	7	<u>1.656.131</u>	<u>1.914.265</u>
Fixed assets		<u>1.955.080</u>	<u>2.735.222</u>
Manufactured goods and goods for resale		13.480.906	11.942.390
Prepayments for goods		<u>174.516</u>	<u>506.236</u>
Inventories		<u>13.655.422</u>	<u>12.448.626</u>
Trade receivables		7.099.851	5.295.494
Receivables from group enterprises		286.402	279.926
Other receivables		23.656	23.642
Prepayments		<u>84.515</u>	<u>84.283</u>
Receivables		<u>7.494.424</u>	<u>5.683.345</u>
Cash		<u>402.534</u>	<u>1.433.120</u>
Current assets		<u>21.552.380</u>	<u>19.565.091</u>
Assets		<u>23.507.460</u>	<u>22.300.313</u>

Balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Contributed capital		220.000	220.000
Reserve for net revaluation according to the equity method		1.584.461	1.400.289
Retained earnings		<u>11.893.902</u>	<u>9.061.539</u>
Equity		<u>13.698.363</u>	<u>10.681.828</u>
Other payables	9	<u>127.473</u>	<u>0</u>
Non-current liabilities other than provisions		<u>127.473</u>	<u>0</u>
Bank loans		4.655.389	5.441.583
Trade payables		2.374.366	3.723.130
Payables to group enterprises		0	633.818
Income tax payable		370.819	0
Other payables		<u>2.281.050</u>	<u>1.819.954</u>
Current liabilities other than provisions		<u>9.681.624</u>	<u>11.618.485</u>
Liabilities other than provisions		<u>9.809.097</u>	<u>11.618.485</u>
Equity and liabilities		<u>23.507.460</u>	<u>22.300.313</u>
Unrecognised rental and lease commitments	10		
Contingent liabilities	11		
Related parties with controlling interest	12		
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Statement of changes in equity for 2019

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Total DKK
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Equity beginning of year	220.000	1.400.289	9.061.539	10.681.828
Profit/loss for the year	<u> 0</u>	<u> 184.172</u>	<u> 2.832.363</u>	<u> 3.016.535</u>
Equity end of year	<u> 220.000</u>	<u> 1.584.461</u>	<u> 11.893.902</u>	<u> 13.698.363</u>

Notes

	2019	2018
	DKK	DKK
1. Staff costs		
Wages and salaries	4.330.332	3.483.946
Pension costs	531.455	518.657
Other staff costs	194.778	142.811
	5.056.565	4.145.414
Average number of employees	7	7
	2019	2018
	DKK	DKK
2. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	304.942	349.311
Profit/loss from sale of intangible assets and property, plant and equipment	47.066	20.000
	352.008	369.311
	2019	2018
	DKK	DKK
3. Other financial income		
Financial income arising from group enterprises	4.410	8.942
Other interest income	1	1.076
	4.411	10.018
	2019	2018
	DKK	DKK
4. Other financial expenses		
Other interest expenses	161.789	158.376
Exchange rate adjustments	35.546	0
	197.335	158.376
	2019	2018
	DKK	DKK
5. Tax on profit/loss for the year		
Current tax	370.819	0
Change in deferred tax	442.306	80.097
	813.125	80.097

Notes

	Other fixtures and fittings, tools and equipment DKK
	<u>DKK</u>
6. Property, plant and equipment	
Cost beginning of year	2.576.456
Disposals	<u>(260.480)</u>
Cost end of year	<u>2.315.976</u>
Depreciation and impairment losses beginning of year	(1.755.499)
Depreciation for the year	(304.942)
Reversal regarding disposals	<u>43.414</u>
Depreciation and impairment losses end of year	<u>(2.017.027)</u>
Carrying amount end of year	<u>298.949</u>

	Invest- ments in group enterprises DKK	Deferred tax DKK
	<u>DKK</u>	<u>DKK</u>
7. Fixed asset investments		
Cost beginning of year	50.000	463.976
Disposals	<u>0</u>	<u>(442.306)</u>
Cost end of year	<u>50.000</u>	<u>21.670</u>
Revaluations beginning of year	1.400.289	0
Share of profit/loss for the year	<u>184.172</u>	<u>0</u>
Revaluations end of year	<u>1.584.461</u>	<u>0</u>
Carrying amount end of year	<u>1.634.461</u>	<u>21.670</u>

	Registered in	Corpo- rate form	Equity inte- rest %
	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity inte- rest %</u>
Investments in group enterprises comprise:			
Scandinavian Fittings & Flanges Ejendomme ApS	Esbjerg	ApS	100,0

Notes

	2019	2018
	DKK	DKK
8. Deferred tax		
Property, plant and equipment	35.866	(7.698)
Receivables	(14.196)	(12.992)
Tax losses carried forward	0	484.666
	21.670	463.976

	2019	2018
	DKK	DKK
9. Other long-term payables		
Wages and salaries, personal income taxes, social security costs, etc payable	127.473	0
	127.473	0

	2019	2018
	DKK	DKK
10. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	6.262.092	7.376.820
Liabilities under rental agreements or leases with group enterprises until expiry	6.210.000	7.290.000

11. Contingent liabilities

The Entity serves from July 3, 2014 as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

The Entity has provided a guarantee regarding the mortgage debt in Scandinavian Fittings & Flanges Ejendomme ApS. The mortgage represent a net value of 5.846.739 DKK on December 31, 2019.

12. Related parties with controlling interest

Related parties with control of Scandinavian Fittings & Flanges ApS consist of the following;

Scandinavian Fittings & Flanges Holding AS, Sandnes, Norge holds 100% of the company's contributed capital.

Notes

13. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Scandinavian Fittings & Flanges Holding AS, Sandnes, Norge

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

Consolidated financial statements

Referring to section 110 of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

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.

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.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, cost of raw materials and consumables and external expenses.

Accounting policies

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.

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.

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

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, as well as gains and losses from the sale of property, plant and equipment.

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 intra-group profits or losses.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange 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.

Accounting policies

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 income (full allocation with a refund concerning tax losses).

Balance sheet

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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.

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:

Other fixtures and fittings, tools and equipment	3-5 years
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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 unamortised goodwill and plus or minus unrealised intra-group profits or losses. Refer to the above section on business combinations for more details about the accounting policies used on acquisitions of investments in group enterprises.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

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.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount

Accounting policies

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, 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.

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.

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.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Other financial liabilities

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

Income tax receivable or payable

Current tax receivable or payable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.