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H.C. Petersen & Co.'s Eftf. A/S

Ansager Landevej 11
7200 Grindsted
Central Business Registration
No 24213706

Annual report 2018

The Annual General Meeting adopted the annual report on 08.04.2019

Chairman of the General Meeting

Name: Johan Aage Prior-knock

Contents

Entity details

Entity

H.C. Petersen & Co.'s Eftf. A/S
Ansager Landevej 11
7200 Grindsted

Central Business Registration No (CVR): 24213706
Registered in: Billund
Financial year: 01.01.2018 - 31.12.2018

Board of Directors

Christopher Kiær Thomsen, chairman
Johan Aage Prior-Knock
Sten Kjelstrup
Peter Heller Bøckel
Kåre Bo Stolt

Executive Board

Sten Fähnø Thomsen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Dokken 8
Postbox 200
6701 Esbjerg
Lead Client Service Partner: Jørn Jepsen

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of H.C. Petersen & Co.'s Eftf. A/S for the financial year 01.01.2018 - 31.12.2018.

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 31.12.2018 and of the results of its operations and cash flows for the financial year 01.01.2018 - 31.12.2018.

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.

Krogager, 08.04.2019

Executive Board

Sten Fähnø Thomsen

Board of Directors

Christopher Kiær Thomsen chairman	Johan Aage Prior-Knock	Sten Kjelstrup
Peter Heller Bøckel	Kåre Bo Stolt	

Independent auditor's report

To the shareholders of H.C. Petersen & Co.'s Eftf. A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of H.C. Petersen & Co.'s Eftf. A/S for the financial year 01.01.2018 - 31.12.2018, 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 31.12.2018, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2018 - 31.12.2018 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 Parent'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.

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

Independent auditor's report

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 these 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 Parent’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 Parent’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.

- 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.

Independent auditor's report

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, 08.04.2019

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Peder Rene Pedersen
State Authorised Public Accountant
Identification No (MNE) mne23334

Management commentary

	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000	2014 DKK'000
Financial highlights					
Key figures					
Revenue	264.730	243.417	265.556	249.552	282.313
Gross profit/loss	29.212	25.014	31.144	30.576	31.981
Operating profit/loss	(1.736)	1.126	7.049	3.421	4.171
Net financials	(2.603)	(929)	(2.048)	(4.120)	(5.943)
Profit/loss for the year	(4.327)	183	3.508	(747)	(1.604)
Total assets	202.503	171.428	162.133	177.612	251.201
Investments in property, plant and equipment	3.810	2.361	610	1.052	1.793
Equity	69.944	74.023	75.910	72.485	74.105
Average invested capital incl goodwill	133.003	115.834	115.576	132.139	151.219
Net interest-bearing debt	64.175	43.307	37.334	59.486	76.206
Ratios					
Return on invested capital incl goodwill (%)	(1,1)	1,3	6,4	2,9	2,8
Revenue/Invested capital incl goodwill	2,0	2,1	2,3	1,9	1,9
Financial gearing (%)	0,9	0,6	0,5	0,8	1,0
Return on equity (%)	(6,0)	0,2	4,7	(1,0)	(2,1)
Equity ratio (%)	34,5	43,2	46,8	40,8	29,5

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Calculation formula reflects
Return on invested capital incl goodwill (%)	EBITA x 100 / Average invested capital incl goodwill	The return generated by the entity on the investors' funds.
Revenue/Invested capital incl goodwill	Revenue / Average invested capital incl goodwill	Turnover rate of capital employed by the entity.
Financial gearing	Net interest-bearing debt / Equity	The entity's financial gearing.
Return on equity (%)	Profit/loss for the year x 100 / Average equity	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	Equity x 100 / 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 and the impairment losses for 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 for 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.

Net interest-bearing debt is defined as interest-bearing liabilities, including income tax payable, net of interest-bearing assets, including cash and income tax receivable.

Management commentary

Primary activities

The Group's and the entity's activities are to import and distribute tractors, machinery, spare parts and to provide services to the agricultural industry and the gardening/park sector.

Development in activities and finances

The result was significantly affected by the marked drought period that hit Scandinavia – and Denmark in particular – in summer of 2018, which led to a marked slowdown in investment in new agricultural equipment.

Revenue was positively affected by investment in two service workshops, while operating profit was affected by the establishment costs in connection with the acquisition.

Outlook

A continued, relatively low market level but with small regional increases are expected for 2019.

The financial performance is expected to be better than the 2018 results.

Particular risks

Operating risk

The Group's key operating risk relates to the developments in the agricultural industry and the gardening/park sector of Denmark, Norway, Sweden and Finland and to the fact that products from its suppliers remain at the forefront of technology, offering competitive prices.

Financial risk

As a consequence of its operating, investing and financing activities, the Group is exposed to exchange and interest rate fluctuations. EUR is used for most of the Group's foreign currency transactions where the currency risk is considered very low. In addition, the group carries out considerable transactions denominated in JPY. Much of group sales are denominated in NOK or SEK, involving some currency risk.

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.

Consolidated income statement for 2018

	Notes	2018 DKK'000	2017 DKK'000
Revenue		264.730	243.417
Cost of sales		(215.101)	(205.479)
Other external expenses		(20.417)	(12.924)
Gross profit/loss		**29.212**	**25.014**
Staff costs	1	(29.374)	(22.650)
Depreciation, amortisation and impairment losses	2	(1.574)	(1.238)
Operating profit/loss		**(1.736)**	**1.126**
Other financial income		695	1.711
Other financial expenses		(3.298)	(2.640)
Profit/loss before tax		**(4.339)**	**197**
Tax on profit/loss for the year	3	12	(14)
Profit/loss for the year	4	**(4.327)**	**183**

Consolidated balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Goodwill		1.936	0
Intangible assets	5	**1.936**	**0**
Land and buildings		11.563	11.094
Other fixtures and fittings, tools and equipment		3.394	3.066
Leasehold improvements		1.051	171
Property, plant and equipment	6	**16.008**	**14.331**
Fixed assets		**17.944**	**14.331**
Manufactured goods and goods for resale		123.368	97.501
Inventories		**123.368**	**97.501**
Trade receivables		54.747	53.286
Deferred tax	7	4.211	4.484
Other receivables		771	518
Income tax receivable		253	122
Prepayments		325	343
Receivables		**60.307**	**58.753**
Cash		**884**	**843**
Current assets		**184.559**	**157.097**
Assets		**202.503**	**171.428**

Consolidated balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Contributed capital		10.162	10.162
Retained earnings		58.977	63.861
Equity attributable to the Parent’s owners		**69.139**	**74.023**
Share of equity attributable to minority interests		**805**	**0**
Equity		**69.944**	**74.023**
Other provisions		48	34
Provisions		**48**	**34**
Mortgage debt		7.821	8.148
Finance lease liabilities		0	44
Other payables		1.158	0
Non-current liabilities other than provisions	8	**8.979**	**8.192**
Current portion of long-term liabilities other than provisions	8	823	725
Bank loans		55.510	35.355
Trade payables		48.226	34.463
Other payables		18.973	18.636
Current liabilities other than provisions		**123.532**	**89.179**
Liabilities other than provisions		**132.511**	**97.371**
Equity and liabilities		**202.503**	**171.428**
Financial instruments	10		
Unrecognised rental and lease commitments	11		
Assets charged and collateral	12		
Group relations	13		
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Consolidated statement of changes in equity for 2018

	Contributed capital DKK'000	Retained earnings DKK'000	Share of equity attributable to minority interests DKK'000	Total DKK'000
Equity beginning of year	10.162	63.861	0	74.023
Contributed upon formation	0	0	760	760
Exchange rate adjustments	0	(495)	0	(495)
Other entries on equity	0	(17)	0	(17)
Profit/loss for the year	0	(4.372)	45	(4.327)
Equity end of year	**10.162**	**58.977**	**805**	**69.944**

Consolidated cash flow statement for 2018

	Notes	2018 DKK'000	2017 DKK'000
Operating profit/loss		(1.736)	1.126
Amortisation, depreciation and impairment losses		1.574	1.238
Working capital changes	9	(13.463)	(4.042)
Cash flow from ordinary operating activities		**(13.625)**	**(1.678)**
Financial income received		695	1.711
Financial expenses paid		(3.298)	(2.640)
Income taxes refunded/(paid)		149	(647)
Other cash flows from operating activities		(513)	(1.296)
Cash flows from operating activities		**(16.592)**	**(4.550)**
Acquisition etc of intangible assets		(2.264)	0
Acquisition etc of property, plant and equipment		(3.810)	(2.361)
Sale of property, plant and equipment		887	839
Minority interest at formation		760	0
Cash flows from investing activities		**(4.427)**	**(1.522)**
Dividend paid		0	(508)
Changes in loan facilities		885	(780)
Cash flows from financing activities		**885**	**(1.288)**
Increase/decrease in cash and cash equivalents		**(20.134)**	**(7.360)**
Cash and cash equivalents beginning of year		(34.492)	(27.132)
Cash and cash equivalents end of year		**(54.626)**	**(34.492)**
Cash and cash equivalents at year-end are composed of:			
Cash		884	843
Short-term debt to banks		(55.510)	(35.335)
Cash and cash equivalents end of year		**(54.626)**	**(34.492)**

Notes to consolidated financial statements

	2018 DKK'000	2017 DKK'000
1. Staff costs		
Wages and salaries	24.662	17.956
Pension costs	3.448	3.566
Other social security costs	1.264	1.128
	29.374	**22.650**
Average number of employees	**57**	**39**

	Remuneration of management 2018 DKK'000	Remuneration of management 2017 DKK'000
Total amount for management categories	1.376	1.780
	1.376	**1.780**

	2018 DKK'000	2017 DKK'000
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	328	382
Depreciation of property, plant and equipment	1.712	1.133
Profit/loss from sale of intangible assets and property, plant and equipment	(466)	(277)
	1.574	**1.238**

	2018 DKK'000	2017 DKK'000
3. Tax on profit/loss for the year		
Current tax	(112)	0
Change in deferred tax	280	14
Adjustment concerning previous years	(180)	0
	(12)	**14**

	2018 DKK'000	2017 DKK'000
4. Proposed distribution of profit/loss		
Retained earnings	(4.372)	183
Minority interests' share of profit/loss	45	0
	(4.327)	**183**

Notes to consolidated financial statements

	Goodwill DKK'000
5. Intangible assets	
Cost beginning of year	3.815
Additions	2.264
Cost end of year	**6.079**
Amortisation and impairment losses beginning of year	(3.815)
Amortisation for the year	(328)
Amortisation and impairment losses end of year	**(4.143)**
Carrying amount end of year	**1.936**

	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve-ments DKK'000
6. Property, plant and equipment			
Cost beginning of year	18.784	12.533	249
Addition through business combinations etc	1.017	360	0
Additions	0	1.399	1.034
Disposals	0	(1.990)	0
Cost end of year	**19.801**	**12.302**	**1.283**
Depreciation and impairment losses beginning of year	(7.690)	(9.467)	(78)
Depreciation for the year	(548)	(1.010)	(154)
Reversal regarding disposals	0	1.569	0
Depreciation and impairment losses end of year	**(8.238)**	**(8.908)**	**(232)**
Carrying amount end of year	**11.563**	**3.394**	**1.051**

Notes to consolidated financial statements

	2018 DKK'000	2017 DKK'000
7. Deferred tax		
Property, plant and equipment	(687)	(467)
Receivables	795	641
Tax losses carried forward	4.103	4.310
	4.211	**4.484**

Changes during the year	
Beginning of year	4.484
Recognised in the income statement	(273)
End of year	**4.211**

Deferred tax relates to tax losses carried forward from earlier years and deferred tax from fixed assets and trade receivables.
As a result of last year, this and the expectations for the coming years, it is estimated that the deferred tax assetwill be used within a period of 3-5 years. The H.C. Petersen Group has in recent years focused on cost savings and new products mix in which loss-making activities have been cut off.

	Due within 12 months 2018 DKK'000	Due within 12 months 2017 DKK'000	Due after more than 12 months 2018 DKK'000	Outstanding after 5 years DKK'000
8. Liabilities other than provisions				
Mortgage debt	798	696	7.821	4.675
Finance lease liabilities	25	29	0	0
Other payables	0	0	1.158	0
	823	**725**	**8.979**	**4.675**

	2018 DKK'000	2017 DKK'000
9. Change in working capital		
Increase/decrease in inventories	(25.867)	(3.328)
Increase/decrease in receivables	(1.696)	(5.372)
Increase/decrease in trade payables etc	14.100	4.658
	(13.463)	**(4.042)**

10. Financial instruments

Other payables includes interest rate swap contracts at the balance sheet date relating to loans of DKK 32,820k. Unrealised net losses in these contracts at 31 December 2018 of DKK 3,628k are recognised under other payables and taken directly to equity by 22k. as well as deffered tax by 5k. The interest rate swap with an interest of 1.7% to 3.3%. The contracts expire in the period from 31.10.2018 until 30.06.2031.

Notes to consolidated financial statements

	2018 DKK'000	2017 DKK'000
11. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**270**	**443**

12. Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties. The mortgage also comprises the plant and machinery deemed part of the property.

The carrying amount of mortgaged properties is DKK 11,563k and the carrying amount of mortgaged plant amounts to DKK 4,391k.

A floating charge and chattel mortgage for DKK 76,579k nominal has been provided on trade receivables, operating equipment and inventories as security for bank loans. Bank loans amount to DKK 55,510k. A part of trade payables is secured by pledge in a part of inventories.

The Carrying amount of trade receivables charged is DKK 54,469k.

The Carrying amount of inventories charged is DKK 123,041k.

Inventories and guarantees provided by the Entity's bnanker for EUR 1,200k in total have been subjected to retention of title as security for trade payables.

13. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group: Kiaer Properties ApS, Ansager Landevej 11, 7200 Grindsted.
Name and registered office of the Parent preparing consolidated financial statements for the smallest group: H.C. Petersen & Co.'s Eftf. A/S, Ansager Landevej 11, 7200 Grindsted.

	Registered in	Corpo-rate form	Equity inte-rest %
14. Subsidiaries			
H.C. Petersen Norge AS	Norge	AS	100,0
H.C. Petersen Sverige AB	Sverige	AB	100,0
H.C. Petersen OY, Finland	Finland	OY	100,0
HCP Maskincenter A/S	Randers	A/S	100,0
O. Søndergaard og Sønner A/S	Nordfyns	A/S	80,0

Parent income statement for 2018

	Notes	2018 DKK'000	2017 DKK'000
Revenue		171.846	185.009
Cost of sales		(153.441)	(164.960)
Other external expenses		(4.508)	(4.014)
Gross profit/loss		**13.897**	**16.035**
Staff costs	1	(11.466)	(12.571)
Depreciation, amortisation and impairment losses	2	(1.076)	(927)
Operating profit/loss		**1.355**	**2.537**
Income from investments in group enterprises		(3.960)	(787)
Other financial income from group enterprises		227	227
Other financial income		405	589
Other financial expenses		(2.499)	(2.159)
Profit/loss before tax		**(4.472)**	**407**
Tax on profit/loss for the year	3	100	(224)
Profit/loss for the year	4	**(4.372)**	**183**

Parent balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Land and buildings		10.656	11.094
Other fixtures and fittings, tools and equipment		1.655	1.568
Property, plant and equipment	5	**12.311**	**12.662**
Investments in group enterprises		34.560	33.835
Fixed asset investments	6	**34.560**	**33.835**
Fixed assets		**46.871**	**46.497**
Manufactured goods and goods for resale		48.618	40.350
Inventories		**48.618**	**40.350**
Trade receivables		13.579	19.776
Receivables from group enterprises		61.871	45.941
Deferred tax	7	3.038	2.933
Other receivables		191	57
Prepayments	8	176	211
Receivables		**78.855**	**68.918**
Cash		**5**	**159**
Current assets		**127.478**	**109.427**
Assets		**174.349**	**155.924**

Parent balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Contributed capital		10.162	10.162
Reserve for net revaluation according to the equity method		10.393	14.848
Retained earnings		48.584	49.013
Equity		**69.139**	**74.023**
Mortgage debt		7.406	8.148
Finance lease liabilities		0	44
Non-current liabilities other than provisions	9	**7.406**	**8.192**
Current portion of long-term liabilities other than provisions	9	746	725
Bank loans		45.016	30.308
Trade payables		44.183	32.111
Other payables		7.859	10.565
Current liabilities other than provisions		**97.804**	**73.709**
Liabilities other than provisions		**105.210**	**81.901**
Equity and liabilities		**174.349**	**155.924**
Unrecognised rental and lease commitments	10		
Contingent liabilities	11		
Assets charged and collateral	12		
Related parties with controlling interest	13		

Parent statement of changes in equity for 2018

	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	10.162	14.848	49.013	74.023
Exchange rate adjustments	0	(262)	(233)	(495)
Other entries on equity	0	0	(17)	(17)
Profit/loss for the year	0	(4.193)	(179)	(4.372)
Equity end of year	**10.162**	**10.393**	**48.584**	**69.139**

Notes to parent financial statements

	2018 DKK'000	2017 DKK'000
1. Staff costs		
Wages and salaries	9.846	9.993
Pension costs	1.491	2.455
Other social security costs	129	123
	11.466	**12.571**
Average number of employees	**20**	**22**

	Remuneration of management 2018 DKK'000	Remuneration of management 2017 DKK'000
Total amount for management categories	1.376	1.780
	1.376	**1.780**

	2018 DKK'000	2017 DKK'000
2. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	1.076	939
Profit/loss from sale of intangible assets and property, plant and equipment	0	(12)
	1.076	**927**

	2018 DKK'000	2017 DKK'000
3. Tax on profit/loss for the year		
Change in deferred tax	(100)	224
	(100)	**224**

	2018 DKK'000	2017 DKK'000
4. Proposed distribution of profit/loss		
Transferred to reserve for net revaluation according to the equity method	(4.193)	(1.481)
Retained earnings	(179)	1.664
	(4.372)	**183**

Notes to parent financial statements

	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000
5. Property, plant and equipment		
Cost beginning of year	18.784	9.212
Additions	0	824
Disposals	0	(1.668)
Cost end of year	**18.784**	**8.368**
Depreciation and impairment losses beginning of year	(7.690)	(7.644)
Depreciation for the year	(438)	(638)
Reversal regarding disposals	0	1.569
Depreciation and impairment losses end of year	**(8.128)**	**(6.713)**
Carrying amount end of year	**10.656**	**1.655**

	Invest-ments in group enterprises DKK'000
6. Fixed asset investments	
Cost beginning of year	18.987
Additions	5.180
Cost end of year	**24.167**
Revaluations beginning of year	14.848
Exchange rate adjustments	(262)
Amortisation of goodwill	(306)
Share of profit/loss for the year	(3.423)
Adjustment of intra-group profits	(231)
Reversal of revaluations	(233)
Revaluations end of year	**10.393**
Carrying amount end of year	**34.560**

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

Notes to parent financial statements

	2018 DKK'000	2017 DKK'000
7. Deferred tax		
Property, plant and equipment	(492)	(475)
Receivables	89	50
Tax losses carried forward	3.441	3.358
	3.038	**2.933**

Changes during the year	
Beginning of year	2.933
Recognised directly in equity	105
End of year	**3.038**

Deferred tax relates to tax losses carried forward from earlier years deferred tax from fixed assets and trade receivables.

As a results of last year, this and the expectations for the coming years, it is estimated that the deferred tax asset will be used within a period of 3-5 years. The H.C. Petersen Group has in recent years focused on cost savings and new products mix in which loss-making activites have been cut off.

8. Prepayments

The item consists of prepaid expenses.

	Due within 12 months 2018 DKK'000	Due within 12 months 2017 DKK'000	Due after more than 12 months 2018 DKK'000	Outstanding after 5 years DKK'000
9. Liabilities other than provisions				
Mortgage debt	721	696	7.406	4.575
Finance lease liabilities	25	29	0	0
	746	**725**	**7.406**	**4.575**

	2018 DKK'000	2017 DKK'000
10. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**270**	**443**

11. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore secondarily liable for income taxes etc for the jointly taxed entities, which is limited to the equity interest by which the entity participates in the Group, as well as for obligations, if any, relating to the withholding of tax on

Notes to parent financial statements

interest, royalties and dividend for the jointly taxed entities. The jointly taxed entitites' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

12. Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties. The mortgage also comprises the plant and machinery deemed part of the property.

The carrying amount of mortgaged properties is DKK 10,656k and the carrying amount of mortgaged plant is DKK 1,655k

Shares in group enterprises have ben provided as security for bank loans. The carrying amount of shares charged is DKK 33,836k.

A floating Charge for DKK 54,000k nominal on trade receivables, operating equipment and inventories has been provided as security for bank loans. Bank loans total DKK 45,016k.

The Carrying amount of trade receivables charged is DKK 13,579k.

The Carrying amoung of inventories charged is DKK 48,618k.

Inventories and quarantees provided by the Entity's banker for EUR 1,200k in total have been subjected to retention of title as security for trade payables.

Collateral provided for group enterprises

The Entity has guaranteed the subsidiaries' bank loans. The subsidiaries' bank loans total DKK 10,494k.

13. Related parties with controlling interest

Kiaer Properties ApS, Ansager Landevej 11, 7200 Grindsted, holds the majority of the share capital in the company.

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.

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.

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.

Accounting policies

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. 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.

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 is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Fair value adjustments of investment property
Fair value adjustment of investment properties for the financial year of the Entity's investment properties measured at fair value at the balance sheet date.

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.

Accounting policies

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 intangible assets as well as 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 internal profits or losses.

Other financial income
Other financial income comprises 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.

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.

Balance sheet
Goodwill
Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. 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 determinded based on an assessment of whether the enterprise 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 to 20 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment
Land and buildings and 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 assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

Accounting policies

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	40 years
Other fixtures and fittings, tools and equipment	5 years

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
In the parent financial statements, 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 unrealised intra-group profits and losses.

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. 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 has been 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 to 20 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.

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 the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognised in the balance sheet at

Accounting policies

their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Income tax payable or receivable
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.

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 provisions
Other provisions comprise anticipated costs of non-recourse guarantee commitments.

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.

Mortgage debt
At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Finance lease liabilities
Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

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.

Accounting policies

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 and short-term securities with an insignificant price risk less short-term bank loans.