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Bavnehøjvej 6
DK-6700 Esbjerg
CVR no. 20 22 26 70

HKJ GROUP A/S

MURERVEJ 4-6, 6710 ESBJERG V

ANNUAL REPORT

1 JANUARY - 31 DECEMBER 2021

The Annual Report has been presented and adopted at the Company's Annual General Meeting on 29 June 2022

Roy Kjellerup

CVR NO. 27 96 75 74

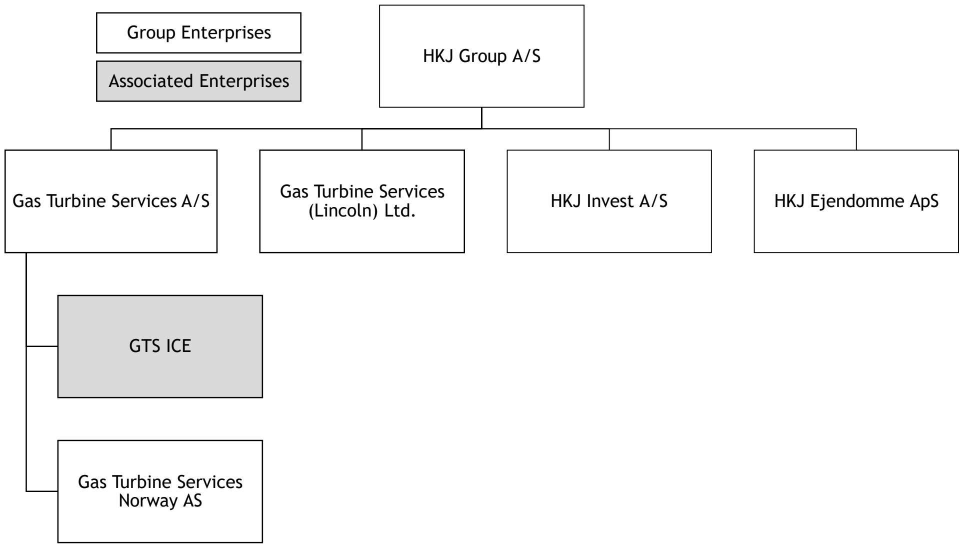
CONTENTS

	Page
Company Details	
Company Details	3
Group Structure	4
Statement and Report	
Management's Statement	5
Independent Auditor's Report	6-8
Management Commentary	
Financial Highlights of the Group	9
Management Commentary	10
Consolidated and Parent Company Financial Statements 1 January - 31 December	
Income Statement	11
Balance Sheet	12-13
Equity	14
Cash Flow Statement	15
Notes	16-22
Accounting Policies	23-28

COMPANY DETAILS

Company	HKJ Group A/S Murervej 4-6 6710 Esbjerg V	
	CVR No.:	27 96 75 74
	Established:	1 July 2006
	Municipality:	Esbjerg
	Financial Year:	1 January - 31 December
Board of Directors	Klaus Kisum Kjær, chairman Roy Kjellerup Robert John Dye Lawrence Jamieson Howie	
Executive Board	Roy Kjellerup	
Auditor	BDO Statsautoriseret revisionsaktieselskab Bavnehøjvej 6 6700 Esbjerg	

GROUP STRUCTURE



Amount of ownership interest, see note 9.

MANAGEMENT'S STATEMENT

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of HKJ Group A/S for the financial year 1 January - 31 December 2021.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion the Consolidated Financial Statements and the Annual Financial Statements of the Company *give a true and fair view of Group's and the Company's assets, liabilities and financial position at 31 December 2021 and of the results of Group's and the Company's operations and cash flows for the financial year 1 January - 31 December 2021.*

The Management Commentary includes in our opinion a fair presentation of the matters dealt with in the Commentary.

We recommend the Annual Report be approved at the Annual General Meeting.

Esbjerg, 29 June 2022

Executive Board

Roy Kjellerup

Board of Directors

Klaus Kisum Kjær Chairman	Roy Kjellerup	Robert John Dye
Lawrence Jamieson Howie		

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of HKJ Group A/S

Opinion

We have audited the Consolidated Financial Statements and the Annual Financial Statements of the Company *of HKJ Group A/S for the financial year 1 January - 31 December 2021, which comprise income statement, Balance Sheet, statement of changes in equity,* notes *and a summary of significant accounting policies for both the Group and the Parent Company, as well as consolidated statement of cash flows for the Group. The* Consolidated Financial Statements and the Annual Financial Statements of the Company *are prepared in accordance with the Danish Financial Statements Act.*

In our opinion, the Consolidated Financial Statements and the Annual Financial Statements of the Company give a true and fair view of the assets, liabilities and financial position of the Group or the Company at 31 December 2021 and of the results of the Group and the Parent Company's operations as well as the consolidated cash flows of the Group for the financial year 1 January - 31 December 2021 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 Annual Financial Statements of the Company" *section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.*

Management's Responsibilities for the Consolidated Financial Statements and the Annual Financial Statements of the Company

Management is responsible for the preparation of Consolidated Financial Statements and the Annual Financial Statements of the Company 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 the Annual Financial Statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements and the Annual Financial Statements of the Company, Management is responsible for assessing the Group's and the Parent 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 Consolidated Financial Statements and the Annual Financial Statements of the Company unless Management either intends to liquidate the Group or the Company 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 Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements and the Annual Financial Statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements and the Annual Financial Statements of the Company.

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

INDEPENDENT AUDITOR'S REPORT

- *Identify and assess the risks of material misstatement of the Consolidated Financial Statements and the Annual Financial Statements of the Company, 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 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 Consolidated Financial Statements and the Annual Financial Statements of the Company 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 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 Consolidated Financial Statements and the Annual Financial Statements of the Company 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 Parent Company to cease to continue as a going concern.*
- *Evaluate the overall presentation, structure and contents of the Consolidated Financial Statements and the Annual Financial Statements of the Company, including the disclosures, and whether the Consolidated Financial Statements and the Annual Financial Statements of the Company 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 Management Commentary
Management is responsible for Management Commentary.

Our opinion on the Consolidated Financial Statements and the Annual Financial Statements of the Company does not cover 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 Annual Financial Statements of the Company, our responsibility is to read Management Commentary and, in doing so, consider whether Management Commentary is materially inconsistent with the Consolidated Financial Statements and the Annual Financial Statements of the Company or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that Management Commentary is in accordance with the Consolidated Financial Statements and the Annual Financial Statements of the Company and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of Management Commentary.

Esbjerg, 29 June 2022

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Flemming Bro Lund
State Authorised Public Accountant
MNE no. mne31433

FINANCIAL HIGHLIGHTS OF THE GROUP

	2021 DKK '000	2020 DKK '000	2019 DKK '000	2018 DKK '000	2017 DKK '000
Income statement					
Gross profit/loss	32,290	29,017	34,546	37,360	32,411
Operating profit/loss of main activities	7,788	5,052	10,902	13,942	12,714
Financial income and expenses, net	-3,622	186	-4,123	-3,701	-3,604
Profit/loss for the year before tax	4,166	5,234	9,072	10,554	9,109
Profit/loss for the year	3,235	3,757	7,876	8,157	7,238
Balance sheet					
Total assets	230,804	223,327	180,578	174,643	167,383
Equity	77,248	73,503	69,793	62,005	53,807
Cash flows					
Investment in property, plant and equipment	-15,760	-20,737	-12,290	-1,408	-1,337
Key ratios					
Equity ratio	33.5	32.9	38.6	35.5	32.1
Return on equity	4.3	5.2	12.0	14.1	14.4

The ratios stated in the list of key figures and ratios have been calculated as follows:

Equity ratio: $\frac{\text{Equity (ex. minorities), at year end x 100}}{\text{Total equity and liabilities, at year end}}$

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

MANAGEMENT COMMENTARY

Principal activities
The parent Company's objective is to serve as a management company for the Group companies.

The company's activities provides focused maintenance support products and services for Gas Turbines and their associated auxiliary equipment for offshore and onshore installations, in both the CHP and Oil & Gas Industry.

Recognition and measurement
The company's and the Group's business strategy is to react rapidly and with precision to provide flexible and tailored maintenance solutions. To support this strategy the Company maintains Strategic Parts stockholding at a significant volume / value, in addition to numerous fully overhauled tested Core engines and strategic components available for immediate delivery.

Stock levels are monitored and maintained to satisfy LTSA commitments, while ensuring sufficient additional stock to support the requirements of customers who prefer transactional / call-off maintenance support.

Stock value depreciation is calculated based on historical purchase prices and measured against management's market value estimates. This depreciation method is unchanged from previous years.

Development in activities and financial and economic position
No changes were made to the company's areas of activity during the financial year.

Profit/loss for the year compared to the expected development
Profit for the year is 3,235 T.DKK. against 3,757 T.DKK. last year.

Covid 19 has resulted in restrictions and challenges that the Group has had to manage and overcome, where possible. This has resulted in the development of products and services to continue to provide a high level of support to Customers globally.

Significant events after the end of the financial year
No events have occurred after the end of the financial year of material importance for the company's financial position.

Financial risk
Purchases and Sales are limited to a few foreign currencies. Currency risk is minimized, where possible, by specific purchases and onward sales being transacted in the same currency.

Intellectual capital resources
The core business involves providing high-quality specialized services. This element places additional demands on the intellectual capital resources concerning development and provision of the services.

Staff
In order to continuously provide high-quality services, it is important that the Company is able to recruit and retain staff with specific technical knowledge. The Company' s objective is for the entities to always have the highest level of technical knowledge, with a view to ensuring a high capacity for flexibility.

Future expectations
The management anticipates profit growth for 2022 compared to 2021.

QHSE Performance
The Company aim is to exceed our customer's expectations by continually improving on performance and quality, while ensuring our operations are executed at all times in compliance with our internal QHSE procedures and relevant legal and regulatory requirements.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

		Group		Parent Company	
	Note	2021 DKK '000	2020 DKK '000	2021 DKK '000	2020 DKK '000
GROSS PROFIT	1	**32,290**	**29,017**	**2,558**	**3,014**
Staff costs	2	-23,306	-21,882	-2,446	-2,679
Depreciation, amortisation and impairment losses		-1,196	-2,083	-145	-137
OPERATING PROFIT		**7,788**	**5,052**	**-33**	**198**
Income from investments in subsidiaries and associates	3	0	-4	5,156	2,846
Other financial income	4	1,187	3,012	286	2,021
Other financial expenses	5	-4,809	-2,826	-2,706	-825
PROFIT BEFORE TAX		**4,166**	**5,234**	**2,703**	**4,240**
Tax on profit/loss for the year	6	-931	-1,477	532	-483
PROFIT FOR THE YEAR	7	**3,235**	**3,757**	**3,235**	**3,757**

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BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	Group 2021 DKK '000	Group 2020 DKK '000	Parent Company 2021 DKK '000	Parent Company 2020 DKK '000
Land and buildings		34,219	34,912	0	0
Other plant, machinery tools and equipment		1,148	1,424	206	344
Tangible fixed assets in progress and prepayment		47,957	32,366	0	0
Property, plant and equipment	8	**83,324**	**68,702**	**206**	**344**
Equity investments in group enterprises		0	0	94,816	89,151
Equity investments in associated enterprises		0	0	0	0
Rent deposit and other receivables		200	200	200	200
Financial non-current assets	9	**200**	**200**	**95,016**	**89,351**
NON-CURRENT ASSETS		**83,524**	**68,902**	**95,222**	**89,695**
Finished goods and goods for resale		88,280	97,524	0	0
Work in progress		39,561	29,085	0	0
Inventories		**127,841**	**126,609**	**0**	**0**
Trade receivables		13,972	11,533	0	0
Contract work in progress		754	86	0	0
Receivables from group enterprises		0	0	30,475	20,841
Receivables from associated enterprises		178	165	23	21
Provision for deferred tax	12	0	0	33	28
Other receivables		1,369	2,851	69	138
Corporation tax receivable		269	140	0	0
Joint tax contribution receivable		963	563	963	563
Prepayments and accrued income	10	445	439	162	161
Receivables		**17,950**	**15,777**	**31,725**	**21,752**
Cash and cash equivalents		**1,489**	**12,039**	**0**	**0**
CURRENT ASSETS		**147,280**	**154,425**	**31,725**	**21,752**
ASSETS		**230,804**	**223,327**	**126,947**	**111,447**

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BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	Group 2021 DKK '000	Group 2020 DKK '000	Parent Company 2021 DKK '000	Parent Company 2020 DKK '000
Share capital	11	5,000	5,000	5,000	5,000
Reserve for net revaluation according to equity value method		0	0	54,746	49,081
Retained earnings		72,248	68,503	17,502	19,422
EQUITY		**77,248**	**73,503**	**77,248**	**73,503**
Provision for deferred tax	12	1,536	980	0	0
PROVISIONS		**1,536**	**980**	**0**	**0**
Mortgage debt		12,708	13,416	0	0
Other bank debt		25,170	27,615	0	0
Payables to group enterprises		19,874	17,918	19,874	17,918
Derived financial instruments	13	1,139	1,523	0	0
Other liabilities		7,864	7,203	7,035	6,340
Non-current liabilities	14	**66,755**	**67,675**	**26,909**	**24,258**
Bond loans		723	715	0	0
Mortgage debt		2,495	1,814	0	0
Bank debt		64,657	57,541	578	871
Prepayments received concerning work in progress		326	2,081	0	0
Prepayments received from customers		3,488	4,769	0	0
Trade payables		5,743	7,910	330	399
Debt to group enterprises		0	0	18,860	10,300
Payables to owners and management		1	3	0	0
Corporation tax		1,172	1,525	209	798
Joint tax contribution payable		91	53	91	53
Derived financial instruments	13	220	220	0	0
Other liabilities		6,313	4,495	2,722	1,265
Accruals and deferred income	15	36	43	0	0
Current liabilities		**85,265**	**81,169**	**22,790**	**13,686**
LIABILITIES		**152,020**	**148,844**	**49,699**	**37,944**
EQUITY AND LIABILITIES		**230,804**	**223,327**	**126,947**	**111,447**

Contingencies etc.	16
Charges and securities	17
Related parties	18
Information on recognition and measurement	19

EQUITY

	Group		
	Share capital	Retained earnings	Total
Equity at 1 January 2021	5,000	68,503	73,503
Proposed profit allocation, note 7		3,235	3,235
Other legal bindings			
Foreign exchange adjustments		210	210
Reclassification from deferred tax		-84	-84
Fairvalue adjustments		384	384
Equity at 31 December 2021	**5,000**	**72,248**	**77,248**

	Parent Company			
	Share capital	Reserve for net revaluation according to equity value method	Retained earnings	Total
Equity at 1 January 2021	5,000	49,081	19,423	73,504
Proposed profit allocation, note 7		5,156	-1,921	3,235
Other legal bindings				
Foreign exchange adjustments		210		210
Other adjustments to equity value		299		299
Equity at 31 December 2021	**5,000**	**54,746**	**17,502**	**77,248**

CASH FLOW STATEMENT 1 JANUARY - 31 DECEMBER

	Group	
	2021	**2020**
	DKK '000	DKK '000
Profit/loss for the year	3,235	3,757
Depreciation and amortisation, reversed	1,196	1,353
Reversed realization gains	0	741
Profit/loss from subsidiaries	0	4
Tax on profit/loss, reversed	931	1,477
Other adjustments	-1,498	-1,650
Change in inventories	-1,232	-9,518
Change in receivables (ex tax)	-801	-3,938
Change in current liabilities (ex bank, tax, instalments payable and overdraft facility)	-3,500	3,964
CASH FLOWS FROM OPERATING ACTIVITY	**-1,669**	**-3,810**
Purchase of property, plant and equipment	-15,760	-20,737
Sale of financial assets	0	1,376
CASH FLOWS FROM INVESTING ACTIVITY	**-15,760**	**-19,361**
Instalments on loans	-231	23,361
Changes in bank debt	7,116	10,920
CASH FLOWS FROM FINANCING ACTIVITY	**6,885**	**34,281**
CHANGE IN CASH AND CASH EQUIVALENTS	**-10,544**	**11,110**
Cash and cash equivalents at 1. januar	12,033	923
CASH AND CASH EQUIVALENTS AT 31. DECEMBER	**1,489**	**12,033**
Cash and cash equivalents at 31 December comprise:		
Cash and cash equivalents	1,489	12,033
CASH AND CASH EQUIVALENTS	**1,489**	**12,033**

NOTES

Note

Special items 1

	Group		Parent Company	
	2021 DKK '000	2020 DKK '000	2021 DKK '000	2020 DKK '000
Fixed costs compensation	0	1,271	0	0
Salarycompensation	0	1,993	0	256
	0	**3,264**	**0**	**256**

Staff costs 2

Average number of employees	38	38	4	4
Wages and salaries	21,707	20,420	2,197	2,396
Pensions	1,098	1,055	216	233
Social security costs	189	158	31	23
Other staff costs	312	249	2	27
	23,306	**21,882**	**2,446**	**2,679**

Information on management remuneration has been omitted in accordance with the exemption provision in section 98b of the Danish Financial Statements Act. 3 No. 2.

	Group		Parent Company	
	2021 DKK '000	2020 DKK '000	2021 DKK '000	2020 DKK '000
Income from investments in subsidiaries and associates (Note 3)				
Income from investments in subsidiaries	0	-4	5,156	2,846
	0	**-4**	**5,156**	**2,846**

Other financial income 4

Group enterprises	0	0	286	268
Other interest income	1,187	3,012	0	1,753
	1,187	**3,012**	**286**	**2,021**

Other financial expenses 5

Group enterprises	788	731	787	731
Other interest expenses	4,021	2,095	1,919	94
	4,809	**2,826**	**2,706**	**825**

NOTES

	Group		Parent Company		Note
	2021 DKK '000	2020 DKK '000	2021 DKK '000	2020 DKK '000	
Tax on profit/loss for the year					6
Calculated tax on taxable income of the year	374	1,305	-528	473	
Adjustment of deferred tax	557	172	-4	10	
	931	**1,477**	**-532**	**483**	
Proposed distribution of profit					7
Allocation to reserve for net revaluation according to equity value method	0	0	5,156	2,846	
Retained earnings	3,235	3,757	-1,921	911	
	3,235	**3,757**	**3,235**	**3,757**	

Property, plant and equipment 8

	Group		
	Land and buildings	Other plant, machinery tools and equipment	Tangible fixed assets in progress and prepayment
Cost at 1 January 2021	41,255	10,290	32,366
Additions	0	169	15,591
Cost at 31 December 2021	**41,255**	**10,459**	**47,957**
Depreciation and impairment losses at 1 January 2021	4,697	8,827	
Depreciation for the year	2,339	484	
Depreciation and impairment losses at 31 December 2021	**7,036**	**9,311**	
Carrying amount at 31 December 2021	**34,219**	**1,148**	**47,957**

	Parent Company
	Other plant, machinery tools and equipment
Cost at 1 January 2021	2,125
Additions	7
Cost at 31 December 2021	**2,132**
Depreciation and impairment losses at 1 January 2021	1,781
Depreciation for the year	145
Depreciation and impairment losses at 31 December 2021	**1,926**
Carrying amount at 31 December 2021	**206**

NOTES

Note

Financial non-current assets 9

	Group		
	Equity investments in group enterprises	Equity investments in associated enterprises	Rent deposit and other receivables
Cost at 1 January 2021	0	4	200
Cost at 31 December 2021	**0**	**4**	**200**
Impairment losses and amortisation of goodwill at 1 January 2021	0	4	0
Impairment losses and amortisation of goodwill at 31 December 2021	**0**	**4**	**0**
Carrying amount at 31 December 2021	**0**	**0**	**200**

	Parent Company	
	Equity investments in group enterprises	Rent deposit and other receivables
Cost at 1 January 2021	41,868	200
Cost at 31 December 2021	**41,868**	**200**
Revaluation at 1 January 2021	47,283	0
Exchange adjustment	210	0
Profit/loss for the year	5,156	0
Other adjustments	299	0
Revaluation at 31 December 2021	**52,948**	**0**
Carrying amount at 31 December 2021	**94,816**	**200**

Investments in subsidiaries (DKK '000)

Name and domicil	Equity	Profit/loss for the year	Ownership
Gas Turbine Services A/S, Esbjerg	86,709,650	4,565,534	100 %
HKJ Invest A/S, Esbjerg	628,840	-34,462	100 %
HKJ Ejendomme ApS, Esbjerg	4,295,176	76,013	100 %
Gas Turbine Services (Lincoln) Ltd., United Kingdom	3,181,804	548,850	100 %
Gas Turbine Services Norway AS, Norway	467,238	13,620	100 %

Investments in associates

Name and domicil	Ownership
GTS ICE Limited, United Kingdom	50 %

NOTES

	Note
Fixed asset investments (continued)	**9**

Prepayments and accrued income **10**

Prepayments and accrued income comprise prepaid costs, primarily insurances and membership fees, relating to the next financial year.

	2021 DKK '000	2020 DKK '000	
Share capital			**11**
Allocation of share capital:			
A-shares, 1 unit in the denomination of 5,000,000 DKK...........	5,000	5,000	
	5,000	**5,000**	

Provision for deferred tax **12**

Provision for deferred tax comprises deferred tax on contract work in progress, inventory and intangible and tangible fixed assets.

	Group		Parent Company	
	2021 DKK '000	**2020** DKK '000	**2021** DKK '000	**2020** DKK '000
Deferred tax, beginning of year......	980	809	28	38
Deferred tax of the year, income statement................................	557	171	4	-10
Provision for deferred tax 31 December 2021........................	**1,537**	**980**	**32**	**28**

NOTES

Note

Derivative financial instruments 13

The company has entered into an interest rate swap to hedge the future cash flows on the long-term senior debt. The interest rate swap has been entered into with the company's usual bank and has secured a fixed interest rate on the variable-rate credit union loan. The interest rate swap has been entered into with a contractual value of DKK 4,500 thousand.

Other debt includes a negative fair value of interest rate swaps of DKK 1,359 thousand. The interest rate swap has been entered into to secure a fixed interest rate on one of the company's variable interest rate priority loans. The interest rate swap has a principal of NOK 4,500 thousand. and ensures a fixed interest rate of 4.88% for the remaining term until 30 June 2028. The differential interest rate is settled quarterly. The priority loan and the interest rate swap have been entered into with the same counterparty, which is assessed to have a high credit rating for derivative financial instruments, which is why the counterparty risk is assessed as low.

The hedging instuments impact the Balance Sheet, Income Statement and Equity as follows:

	Group
	Interest-swap
Fair value at 31 December 2021	
Liabilities	1,359
	1,359
Value adjustment in the year recognised in Equity	384

Long-term liabilities 14

	Group			
	31/12 2021 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2020 total liabilities
Mortgage debt	13,431	723	9,284	14,131
Other bank debt	27,665	2,495	14,605	29,429
Payables to group enterprises	19,874	0	19,874	17,918
Derived financial instruments	1,359	220	0	1,743
Other liabilities	7,864	0	7,864	7,203
	70,193	**3,438**	**51,627**	**70,424**

	Parent Company			
	31/12 2021 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2020 total liabilities
Payables to group enterprises	19,874	0	19,874	17,918
Other liabilities	7,035	0	7,035	6,340
	26,909	**0**	**26,909**	**24,258**

NOTES

Note

Accruals and deferred income 15
Accrued income comprise prepaid costs, relating to the next financial year.

Contingencies etc. 16

Contingent liabilities
The Group's bank have issued payment guarantee to third party for a total amount of 315,685 GBP.

Mortgage debt is secured upon the properties. The carrying amount of mortgaged properties is 34,219 T.DKK. To secure bank loans, a mortgage deed registered to the mortgagor for 5,250 T.DKK. has been deposited for properties.

The Group has entered into lease obligations and finance leases. The total contingent liabilites relating to these are 3,538 T.DKK.

The Group has provided unlimited security for associated companies debts to banks. The Groups bank loans are total 64,657 T.DKK.

Joint liabilities
The Danish companies of the group is jointly and severally liable for tax on the group's jointly taxed income and for certain possible withholding taxes such as dividend tax and royalty tax, and for the joint registration of VAT.

Tax payable of the group's jointly taxed income amounts to DKK ('000) 209 at the balance sheet date.

Charges and securities 17
As collateral for bank debt of 60,602 T.DKK., the company has pledged a nominal value of 55,000 T.DKK. The company mortgage comprises the following assets, whose carrying amount at the balance sheet date is:

Other plant, fixtures and equipment	453 T.DKK
Inventories	127,841 T.DKK
Trade receivables	11,366 T.DKK
Contract work in progress	754 T.DKK

Related parties 18
The Company's related parties include:

Controlling interest
European Support Services (UK) Ltd., United Kingdom, is the principal shareholder.

Transactions with related parties
The company did not carry out any material transactions that were not concluded on market conditions. According to section 98c, subsection 7 of the Danish Financial Statements Act information is given only on transactions that were not performed on common market conditions.

NOTES

Note

Information on recognition and measurement 19

The company's and the Group's business strategy is to be able to offer fast and flexible deliveries, which is why the company has built up a strategic inventory that is of considerable value.

Significant write-downs have been made in relation to the company's historical purchase prices based on management's estimates. The write-down methods used are unchanged from previous years.

ACCOUNTING POLICIES

The Annual Report of HKJ Group A/S for 2021 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, medium-size enterprises.

The Annual Report is prepared consistently with the accounting principles applied last year.

Change due to changed classification
In the annual report for 2020, the bank debt was classified as cash and cash equivalents in the cash flow statement. However, the bank debt does not meet the definition of cash and cash equivalents, and should therefore be classified under "Cash flows from financing activity" in the cash flow statement.

The changed classification is incorporated in the annual report and causes the accounting item "Cash flow from financing activity" to be increased by DKK 7,116. The change also means that the cash in the cash flow statement has been reduced by DKK 7,116.

The impact has been corrected in the comparative figures, so that the cash and cash equivalents at the beginning of the comparison year have been adjusted.

Consolidated Financial Statements
The consolidated financial statements include the parent company HKJ Group A/S and its subsidiaries in which HKJ Group A/S directly or indirectly holds more than 50% of the voting rights or in any other way has a controlling influence. Enterprises in which the group holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence, are considered associates, see the group structure.

The consolidated financial statements consolidate the financial statements of the parent company and the subsidiaries by combining uniform accounts items. Intercompany income and expenses, shareholdings, internal balances and dividend, and realised and unrealised gains and losses arising from transactions between the consolidated enterprises are fully eliminated in the consolidation.

New acquired or established enterprises are recognised in the consolidated financial statements from the time of acquisition. Sold or wound up enterprises are recognised in the consolidated income statement up to the time of disposal. Comparative figures are not adjusted for new acquired, sold or wound up enterprises.

The date of acquisition is the date at which the Group gains actual control over the acquired business.

Acquired enterprises are recognised in the consolidated financial statements under the acquisition method, reassessing all identified assets and liabilities to fair value at the acquisition date. The fair value is calculated based on acquisitions made in an active market, alternatively calculated using generally accepted valuation methods. Deferred tax on the acquired reassessments is recognised with the exception of goodwill.

Transaction costs, incurred in connection with acquisition of businesses, are recognised in the income statement in the year when costs are incurred.

Investments in subsidiary enterprises are set off by the proportional share of the subsidiaries' market value of net assets and liabilities at the acquisition date.

Investments in associates are measured in the balance sheet at the proportional share of the value of the enterprises, calculated under the accounting policies of the parent company and eliminating proportionally any unrealised intercompany gains and losses. The proportional share of the results of the associates is recognised in the income statement after elimination of the proportional share of internal gains and losses.

ACCOUNTING POLICIES

INCOME STATEMENT

Net revenue
Net revenue from sale of merchandise and finished goods is recognised in the income statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

Where products with a high degree of individual adjustments are delivered, recognition in net revenue is made as and when the production progresses, the net revenue being equal to the sales value of the work performed for the year (the production method). This method is applied when the total costs and expenses regarding the contract and the degree of completion at the balance sheet date can be reliably assessed, and it is likely that the financial benefits will flow to the company.

Revenue is summarized with costs in accordance with section 32 of the Danishe Statements Act.

Net revenue is recognised exclusive of VAT and less duties and discounts related to the sale.

Other operating income
Other operating income includes items of a secondary nature in relation to the Group's and the Company's activities, including profit from sale of intangible and tangible fixed assets. In addition, profit from sale of intangible and tangible fixed assets as well as business interruption and conflict compensations are included. Compensations are recognised when the income is deemed to be realisable.

Cost of sales
Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

Other external expenses
Other external expenses include cost of sales, advertising, administration, buildings, bad debts, operating lease expenses, etc.

Staff costs
Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the company's employees. Repayments from public authorities are deducted from staff costs.

Income from investments in subsidiaries and associates
The income statement of the parent company recognises the proportional share of the results of each subsidiary after full elimination of intercompany profits/losses and deduction of amortisation of goodwill.

In connection with transfers, potential profits are recognised when the economic rights related to the sold equity interests are transferred, however, at the earliest when the profit has been realised or is regarded as realisable. Moreover, realised losses other than impairments are included where identified.

Financial income and expenses
Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

ACCOUNTING POLICIES

Tax
The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

BALANCE SHEET

Tangible fixed assets
Land and buildings, production plant and machinery, other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used. As regards self-manufactured assets, the cost price includes cost of materials, components, subcontractors, direct payroll and indirect production costs.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Buildings..	50 years	0-10 %
Other plant, fixtures and equipment...	3-15 years	0 %
Leasehold improvements..	3-5 years	0 %

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Financial non-current assets
Investments in subsidiaries are measured in the company's balance sheet under the equity method.

Investments in subsidiaries are measured in the balance sheet at the proportional share of the enterprises' carrying equity value, calculated in accordance with the parent company's accounting policies with deduction or addition of unrealised intercompany profits or losses and with addition or deduction of the residual value of positive or negative goodwill

Impairment of fixed assets
The carrying amount of tangible assets together with fixed assets, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the recoverable amount is lower than the carrying amount, the asset is written down to the carrying amount.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

ACCOUNTING POLICIES

Inventories
Inventories are measured at cost using the FIFO-principle. If the net realisable value is lower than cost, the inventories are written down to the lower value.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The cost of finished goods and work in progress includes cost of raw materials, consumables, direct payroll cost and indirect production cost. Indirect production costs include indirect materials and payroll and maintenance and depreciation of the machines, factory buildings and equipment used in the production process, cost of factory administration and management and capitalised development costs relating to the products.

The net realisable value of inventories is stated at sales price less completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price.

Receivables
Receivables are measured at amortised cost which usually corresponds to nominal value.

Contract work in progress
Work in progress on contract is measured at the sales value of the work performed. The sales value is measured on the basis of the degree of completion on the balance sheet date and the total anticipated revenue related to the specific piece of work in progress.

The specific piece of work in progress is recognised in the Balance Sheet as receivables or payables, depending on the net value of the selling price less progress invoicing and progress payments.

Costs relating to sales work and obtaining of contracts are recognised in the Income Statement as and when they are incurred.

Accruals, assets
Accruals recognised as assets include costs incurred relating to the subsequent financial year.

Tax payable and deferred tax
Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

The company is subject to joint taxation with Danish group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the tax-on-account scheme. Joint taxation contributions receivable and payable are recognised in the balance sheet under current assets and liabilities, respectively.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

ACCOUNTING POLICIES

Liabilities
Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the Income Statement over the term of loan.

Amortised cost for short-term liabilities usually corresponds to the nominal value.

Accruals, liabilities
Accruals recognised as liabilities include payments received regarding income in subsequent years.

Derivative financial instruments
Derivative financial instruments are initially recognised in the Balance Sheet at cost and subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are recognised under receivables and payables, respectively.

Change in fair value of derivative financial instruments classified as and complying with the criteria for hedging of the fair value of a recognised asset or a recognised liability is recognised in the Income Statement together with possible changes in the fair value of the hedged asset or the hedged liability.

Change in fair value of derivative financial instruments classified as and complying with the criteria for hedging of future cash flows is recognised under receivables or payables and under equity. If the future transaction results in recognition of assets or liabilities, all amounts recognised under equity are transferred from equity and recognised under the initial cost of the asset or liability, respectively. If the future transaction results in income or expenses amounts recognised under equity are transferred to the Income Statement for the period where the Income Statement was affected by the hedged amount.

As regards possible derivative financial instruments, which do not comply with the criteria for classification as hedging instruments, any changes in fair value are recognised on a current basis in the Income Statement.

Foreign currency translation
Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the income statement as a financial income or expense.

Receivables, payables and other monetary items in foreign currencies that are not settled on the balance sheet date are translated at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the exchange rate at the time of occurrence of the receivables or payables is recognised in the income statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.

ACCOUNTING POLICIES

CASH FLOW STATEMENT

With reference to Section 86(4) of the Danish Financial Statements Act, the parent company has not prepared a cash flow statement. A cash flow statement has been prepared for the Group.

The cash flow statement shows the company's cash flows for the year for operating activities, investing activities and financing activities in the year, the change in cash and cash equivalents of the year and cash and cash equivalents at beginning and end of the year.

Cash flows from operating activities:
Cash flows from operating activities are computed as the results for the year adjusted for non-cash operating items, changes in net working capital and corporation tax paid.

Cash flows from investing activities:
Cash flows from investing activities include payments in connection with purchase and sale of intangible and tangible fixed asset and fixed asset investments.

Cash flows from financing activities:
Cash flows from financing activities include changes in the size or composition of share capital and related costs, and borrowings and repayment of interest-bearing debt and payment of dividend to shareholders.

Cash and cash equivalents:
Cash and cash equivalents include bank overdraft and cash in hand.