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HKJ GROUP A/S
MURERVEJ 4-6, 6710 ESBJERG V
ANNUAL REPORT
1 JANUARY - 31 DECEMBER 2019

**The Annual Report has been presented and
adopted at the Company's Annual General
Meeting on 2 June 2020**

Roy Kjellerup

The English part of this document is an unofficial translation of the original Danish text, and in case of any discrepancy between the Danish text and the English translation, the Danish text shall prevail.

CVR NO. 27 96 75 74

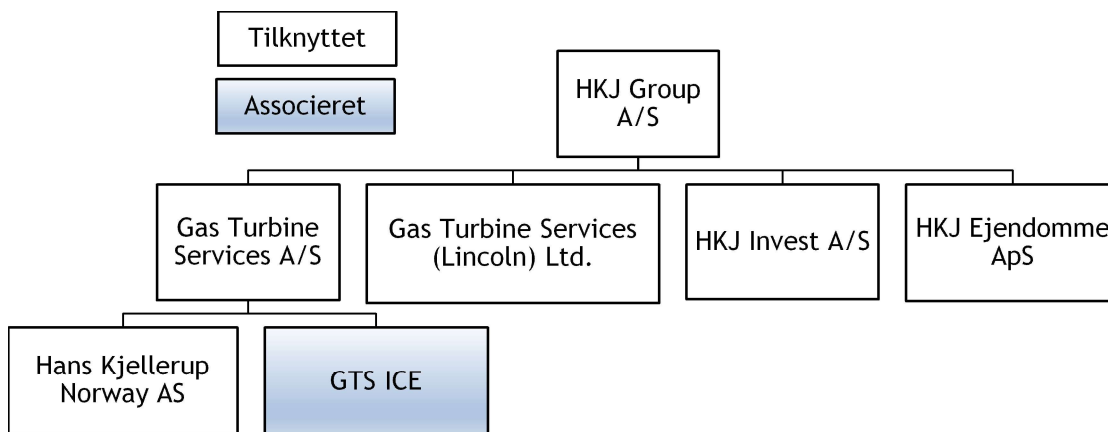
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COMPANY DETAILS

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

GROUP STRUCTURE



For angivelse af ejerandel henvises til note 8.

STATEMENT BY BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

Today the Board of Directors and Board of Executives have discussed and approved the Annual Report of HKJ Group A/S for the financial year 1 January - 31 December 2019.

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

In our opinion the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of Group's and the Company's financial position at 31 December 2019 and of the results of Group's and the Company's operations and cash flows for the financial year 1 January - 31 December 2019.

The Management's Review includes in our opinion a fair presentation of the matters dealt with in the Review.

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

Esbjerg, 2 June 2020

Board of Executives

Roy Kjellerup

Board of Directors

Klaus Kisum Kjær
Chairman

Roy Kjellerup

Chris Kjellerup-Krönlein

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 Parent Company Financial Statements of HKJ Group A/S for the financial year 1 January - 31 December 2019, 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 Parent Company Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the assets, liabilities and financial position of the Group or the Company at 31 December 2019 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 2019 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 Company Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 Parent Company Financial Statements

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

In preparing the Consolidated Financial Statements and the Parent Company Financial Statements, 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 Parent Company Financial Statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT

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

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:

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

Management is responsible for Management's Review.

Our opinion on the Consolidated Financial Statements and the Parent Company Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements and the Parent Company Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Consolidated Financial Statements and the Parent Company Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company 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 Management's Review.

Esbjerg, 2 June 2020

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Flemming Bro Lund
State Authorised Public Accountant
MNE no. mne31433

FINANCIAL HIGHLIGHTS OF THE GROUP

	2019 DKK '000	2018 DKK '000	2017 DKK '000	2016 DKK '000	2015 DKK '000
Income statement					
Gross profit/loss.....	34,546	37,360	32,411	26,812	42,783
Operating profit/loss.....	10,902	13,942	12,714	3,222	13,821
Financial income and expenses, net.....	-4,123	-3,701	-3,604	-2,337	-5,910
Profit/loss for the year before tax.....	9,072	10,554	9,109	885	7,911
Profit/loss for the year.....	7,876	8,157	7,238	699	5,756
Balance sheet					
Balance sheet total.....	180,578	174,643	167,383	175,764	196,666
Equity.....	69,793	62,005	53,807	46,507	46,349
Cash flows					
Investment in tangible fixed assets.....	-12,290	-1,408	-1,337	-521	-1,516
Ratios					
Solvency ratio.....	38.6	35.5	32.1	26.5	23.6
Return on equity.....	12.0	14.1	14.4	1.5	13.4

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

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

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

The ratios follow in all material respects the recommendations of the Danish Finance Society.

MANAGEMENT'S REVIEW

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 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.

Development in activities and financial position

No changes were made to the company's areas of activity during the financial year.

Profit/loss for the year compared to future expectations

Profit for the year is 7,876 T.DKK. against 8,157 T.DKK. last year.

Net profit is considered to be satisfactory and in-line with the company's market share.

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.

Special risks

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

Intellectual capital resources

The core business involves providing high-quality specialised 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

For 2020, due to Covid-19 and the resulting challenges, the management anticipates a reduced profit compared to 2019.

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

	Note	Group		Parent company	
		2019 DKK '000	2018 DKK '000	2019 DKK '000	2018 DKK '000
GROSS PROFIT		34,546	37,360	2,962	3,919
Staff costs.....	1	-22,282	-22,128	-2,142	-3,224
Depreciation, amortisation and impairment losses.....		-1,362	-1,290	-78	-159
OPERATING PROFIT		10,902	13,942	742	536
Result of equity investments in group and associates.....	2	2,293	313	8,540	8,073
Other financial income.....	3	1,183	17	725	1,240
Other financial expenses.....	4	-5,306	-3,718	-2,502	-1,662
PROFIT BEFORE TAX		9,072	10,554	7,505	8,187
Tax on profit/loss for the year.....	5	-1,196	-2,397	371	-30
PROFIT FOR THE YEAR	6	7,876	8,157	7,876	8,157

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	Group		Parent company	
		2019 DKK '000	2018 DKK '000	2019 DKK '000	2018 DKK '000
Land and buildings.....		35,440	37,535	0	1,407
Other plant, machinery tools and equipment.....		1,747	2,198	155	124
Tangible fixed assets in progress and prepayment.....		11,974	0	0	0
Tangible fixed assets.....	7	49,161	39,733	155	1,531
Equity investments in group enterprises.....		1	0	86,352	80,191
Equity investments in associated enterprises.....		4	4,208	0	4,208
Other investments.....		2,111	0	0	0
Rent deposit and other receivables.....		200	200	200	200
Fixed asset investments.....	8	2,316	4,408	86,552	84,599
FIXED ASSETS.....		51,477	44,141	86,707	86,130
Finished goods and goods for resale.....		97,052	84,852	0	0
Work in progress.....		20,039	19,240	0	0
Prepayments.....		0	196	0	0
Inventories.....		117,091	104,288	0	0
Trade receivables.....		7,051	19,100	0	0
Contract work in progress.....		2,998	4,661	0	0
Receivables from group enterprises.....		0	0	19,403	30,791
Provision for deferred tax.....	11	0	0	38	80
Other receivables.....		651	67	176	46
Corporation tax receivable.....		55	0	0	0
Joint tax contribution receivable..		0	0	1,735	1,822
Prepayments and accrued income..	9	326	973	145	160
Receivables.....		11,081	24,801	21,497	32,899
Cash and cash equivalents.....		929	1,413	0	0
CURRENT ASSETS.....		129,101	130,502	21,497	32,899
ASSETS.....		180,578	174,643	108,204	119,029

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	Group		Parent company	
		2019 DKK '000	2018 DKK '000	2019 DKK '000	2018 DKK '000
Share capital.....	10	5,000	5,000	5,000	5,000
Reserve for net revaluation according to equity value method.....		0	0	46,280	40,121
Retained earnings.....		64,793	57,005	18,513	16,884
EQUITY.....		69,793	62,005	69,793	62,005
Provision for deferred tax.....	11	807	844	0	0
PROVISION FOR LIABILITIES.....		807	844	0	0
Mortgage debt.....		17,483	15,949	0	0
Payables to group enterprises.....		19,751	12,735	19,751	12,735
Other liabilities.....		7,038	0	6,755	0
Long-term liabilities.....	12	44,272	28,684	26,506	12,735
Short-term portion of long-term liabilities.....	12	717	3,317	0	2,676
Bank debt.....		46,621	57,415	508	32,542
Prepayments received concerning work in progress.....		1,988	924	0	0
Prepayments received from customers.....		2,744	2,187	0	0
Trade payables.....		7,475	7,670	382	377
Debt to group enterprises.....		0	220	8,617	2,288
Corporation tax.....		1,240	1,982	1,240	1,762
Joint tax contribution payable.....		0	0	123	102
Payables to owners and management.....		5	3,005	0	3,005
Other liabilities.....		4,884	6,355	1,035	1,537
Accruals and deferred income.....	13	32	35	0	0
Current liabilities.....		65,706	83,110	11,905	44,289
LIABILITIES.....		109,978	111,794	38,411	57,024
EQUITY AND LIABILITIES.....		180,578	174,643	108,204	119,029
Contingencies etc.	14				
Charges and securities	15				
Related parties	16				
Information on recognition and measurement	17				

EQUITY

	Group		
	Share capital	Retained earnings	Total
Equity at 1 January 2019.....	5,000	57,003	62,003
Foreign exchange adjustments.....		6	6
Value adjustments of equity.....		26	26
Reclassification from deferred tax.....		-118	-118
Proposed distribution of profit.....		7,876	7,876
Equity at 31 December 2019.....	5,000	64,793	69,793

	Parent company			
	Share capital	Reserve for net revaluation according to equity value method	Retained earnings	Total
Equity at 1 January 2019.....	5,000	40,120	16,884	62,004
Foreign exchange adjustments.....		6		6
Value adjustments of equity.....		-93		-93
Proposed distribution of profit.....		6,247	1,629	7,876
Equity at 31 December 2019.....	5,000	46,280	18,513	69,793

CASH FLOW STATEMENT 1 JANUARY - 31 DECEMBER

	Group	
	2019 DKK '000	2018 DKK '000
Profit/loss for the year.....	7,876	8,157
Reversed depreciation of the year.....	1,362	1,290
Reversed realization gains.....	-167	0
Profit/loss from associates.....	-2,293	-313
Reversed tax on profit/loss for the year.....	1,196	2,397
Corporation tax paid.....	-1,720	-531
Change in inventory.....	-12,803	2,427
Change in receivables.....	13,775	-12,252
Change in current liabilities (ex bank and tax).....	11,715	4,412
CASH FLOWS FROM OPERATING ACTIVITY.....	18,941	5,587
Purchase of tangible fixed assets.....	-12,290	-1,408
Sale of tangible fixed assets.....	1,547	0
Purchase of financial assets.....	-2,115	0
Sale of financial assets.....	2,410	0
CASH FLOWS FROM INVESTING ACTIVITY.....	-10,448	-1,408
Repayments of loans.....	0	-1,852
Other changes in long-term debt.....	1,817	-1,568
CASH FLOWS FROM FINANCING ACTIVITY.....	1,817	-3,420
CHANGE IN CASH AND CASH EQUIVALENTS.....	10,310	759
Cash and cash equivalents at 1. januar.....	-56,002	-56,761
CASH AND CASH EQUIVALENTS AT 31. DECEMBER.....	-45,692	-56,002
Specification of cash and cash equivalents at 31 December:		
Cash and cash equivalents.....	929	1,413
Bank debt.....	-46,621	-57,415
CASH AND CASH EQUIVALENTS, NET DEBT.....	-45,692	-56,002

NOTES

	Group		Parent company		Note
	2019 DKK '000	2018 DKK '000	2019 DKK '000	2018 DKK '000	
Staff costs					1
Average number of employees					
Group: 37 (2018: 36)					
Parent company: 4 (2018: 4)					
Wages and salaries.....	20,894	20,786	1,902	2,911	
Pensions.....	970	996	210	285	
Social security costs.....	179	147	26	26	
Other staff costs.....	239	199	4	2	
	22,282	22,128	2,142	3,224	
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.					
Result of equity investments in group and associates					2
Result of equity investments in group enterprises.....	0	0	6,247	7,760	
Result of equity investments in associated enterprises.....	2,293	313	2,293	313	
	2,293	313	8,540	8,073	
Other financial income					3
Group enterprises.....	0	0	725	1,014	
Other interest income.....	1,183	17	0	226	
	1,183	17	725	1,240	
Other financial expenses					4
Group enterprises.....	739	369	739	369	
Other interest expenses.....	4,567	3,349	1,763	1,293	
	5,306	3,718	2,502	1,662	
Tax on profit/loss for the year					5
Calculated tax on taxable income of the year.....	1,371	1,685	-271	29	
Adjustment of tax in previous years.	-138	-20	-142	0	
Adjustment of deferred tax.....	-37	732	42	1	
	1,196	2,397	-371	30	

NOTES

	Group		Parent company		Note
	2019 DKK '000	2018 DKK '000	2019 DKK '000	2018 DKK '000	
Proposed distribution of profit					6
Allocation to reserve for net revaluation according to equity value method.....	0	0	6,247	8,073	
Retained earnings.....	7,876	8,157	1,629	84	
	7,876	8,157	7,876	8,157	
 Tangible fixed assets					7
	Group				
	Land and buildings	Other plant, machinery tools and equipment	Tangible fixed assets in progress and prepayment		
Cost at 1 January 2019.....	42,501	10,881	0		
Additions.....	140	176	11,974		
Disposals.....	-1,547	-232	0		
Cost at 31 December 2019.....	41,094	10,825	11,974		
Depreciation and impairment losses at 1 January 2019.....	4,965	8,657			
Reversal of depreciation of assets disposed of..	0	-232			
Depreciation for the year.....	689	653			
Depreciation and impairment losses at 31 December 2019.....	5,654	9,078			
 Carrying amount at 31 December 2019.....	35,440	1,747	11,974		
	Parent company				
	Land and buildings	Other plant, machinery tools and equipment			
Cost at 1 January 2019.....	1,407	2,697			
Additions.....	140	109			
Disposals.....	-1,547	-232			
Cost at 31 December 2019.....	0	2,574			
Depreciation and impairment losses at 1 January 2019.....	0	2,573			
Reversal of depreciation of assets disposed of.....	0	-232			
Depreciation for the year.....	0	78			
Depreciation and impairment losses at 31 December 2019....	0	2,419			
 Carrying amount at 31 December 2019.....	0	155			

NOTES

Note

Fixed asset investments

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	Group	
	Equity investments in group enterprises	Equity investments in associated enterprises
Cost at 1 January 2019.....	0	2,410
Additions.....	0	4
Disposals.....	0	-2,410
Cost at 31 December 2019.....	0	4
Revaluation at 1 January 2019.....	1	1,798
Reversals of the year on disposals.....	0	-1,798
Revaluation at 31 December 2019.....	1	0
Carrying amount at 31 December 2019.....	1	4

	Group	
	Other investments	Rent deposit and other receivables
Cost at 1 January 2019.....	0	200
Additions.....	2,111	0
Cost at 31 December 2019.....	2,111	200
Carrying amount at 31 December 2019.....	2,111	200

	Parent company		
	Equity investments in group enterprises	Equity investments in associated enterprises	Rent deposit and other receivables
Cost at 1 January 2019.....	41,868	2,410	200
Disposals.....	0	-2,410	0
Cost at 31 December 2019.....	41,868	0	200
Revaluation at 1 January 2019.....	38,323	1,798	0
Exchange adjustment.....	6	0	0
Profit/loss for the year.....	6,247	0	0
Reversals of the year on disposals.....	0	-1,798	
Other adjustments.....	-92	0	0
Revaluation at 31 December 2019.....	44,484	0	0
Carrying amount at 31 December 2019.....	86,352	0	200

NOTES

	Note
Fixed asset investments (continued)	8

Name and registered office	Ownership
Gas Turbine Services A/S, Esbjerg.....	100 %
HKJ Invest A/S, Esbjerg.....	100 %
HKJ Ejendomme ApS, Esbjerg.....	100 %
Gas Turbine Services (Lincoln) Ltd., United Kingdom.....	100 %
Gas Turbine Services Norway AS, Norway.....	100 %

Investments in associates

Name and registered office	Ownership
GTS ICE Limited, United Kingdom.....	50 %

Prepayments and accrued income

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

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	2019 DKK '000	2018 DKK '000
Share capital		
Specification of the share capital:		
A-shares, 1 in the denomination of 5,000,000 DKK.....	5,000	5,000
	5,000	5,000

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Provision for deferred tax

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

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	Group		Parent company	
	2019 DKK '000	2018 DKK '000	2019 DKK '000	2018 DKK '000
Deferred tax, beginning of year.....	844	112	80	81
Deferred tax for the year, Income Statement.....	-37	732	-42	-1
Provision for deferred tax 31 December 2019.....	807	844	38	80

NOTES

Note

Long-term liabilities

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	Group				
	31/12 2019 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2018 total liabilities	Current portion at the beginning of the year
Mortgage debt.....	18,200	717	14,776	16,590	641
Payables to group enterprises..	19,751	0	0	12,735	0
Other liabilities.....	7,038	0	0	2,676	2,676
	44,989	717	14,776	32,001	3,317

	Parent company				
	31/12 2019 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2018 total liabilities	Current portion at the beginning of the year
Payables to group enterprises..	19,751	0	0	12,735	0
Other liabilities.....	6,755	0	0	2,676	2,676
	26,506	0	0	15,411	2,676

Accruals and deferred income

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Accrued income comprise prepaid costs, relating to the next financial year.

Contingencies etc.

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Contingent liabilities

The Group's bank have issued payment guarantee to third party for a total amount of 225,400 GBP.

Mortgage debt is secured upon the properties. The carrying amount of mortgaged properties is 36,440 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 liabilities relating to these are 2,126 T.DKK.

The Group has provided unlimited security for associated companies debts to banks. The Groups bank loans are total 46,621 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) 1,240 at the balance sheet date.

NOTES**Note****Charges and securities****15**

As collateral for bank debt of 42,443 T.DKK., the company has pledged a nominal value of 50.000 T.DKK. The company mortgage comprises the following assets, whose carrying amount at the balance sheet date is:

Other plant, fixtures and equipment	1,001,971
Inventories	117,091,140
Trade receivables	5,025,832
Contract work in progress	2,998,095

Related parties**16**

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.

Information on recognition and measurement**17**

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 2019 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, medium enterprise.

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

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.

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.

ACCOUNTING POLICIES

Other operating income

Other operating income includes items of a secondary nature in relation to the enterprises' principal activities, including profit from sale of intangible and tangible fixed assets.

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.

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.

The income statement of the owner company recognises the proportional share of the results of each associate after proportional elimination of intercompany profits/losses and deduction of amortisation of goodwill.

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.

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.

ACCOUNTING POLICIES

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.

Fixed asset investments

Investments in subsidiaries and associates are measured in the company's balance sheet under the equity method.

Investments in subsidiaries and associates 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

Net revaluation of investments in subsidiaries and associates is transferred under the equity to reserve for net revaluation under the equity value method to the extent that the carrying amount exceeds the acquisition value.

Subsidiaries and associates with a negative carrying equity value are measured to DKK 0 and any amounts due from these enterprises are written down by the company's share of the negative equity to the extent that it is deemed to be irrecoverable. If the carrying negative equity value exceeds receivables, the residual amount is recognised under provision for liabilities to the extent that the company's has a legal or actual liability to cover the subsidiary's and associates' deficit.

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.

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.