



Tel.: +45 75 18 16 66
esbjerg@bdo.dk
www.bdo.dk

BDO Statsautoriseret revisionsaktieselskab
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 2020

**The Annual Report has been presented and
adopted at the Company's Annual General
Meeting on 29 June 2021**

Roy Kjellerup

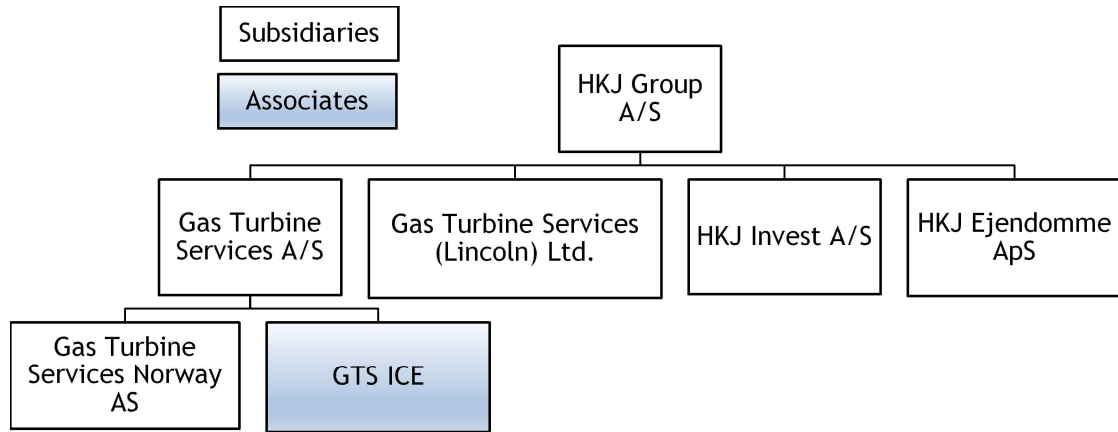
CONTENTS

	Page
Company Details	
Company Details.....	3
Group Structure.....	4
Statement and Report	
Board of Directors Statement and 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 Registered Office: 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 10.

BOARD OF DIRECTORS STATEMENT AND 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 2020.

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 2020 and of the results of Group's and the Company's operations and cash flows for the financial year 1 January - 31 December 2020.

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 2021

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 2020, 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 2020 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 2020 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' 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 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's Review

Management is responsible for Management's Review.

Our opinion on the Consolidated Financial Statements and the Annual Financial Statements of the Company 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 Annual Financial Statements of the Company, 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 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'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 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's Review.

Esbjerg, 29 June 2021

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Flemming Bro Lund
State Authorised Public Accountant
MNE no. mne31433

FINANCIAL HIGHLIGHTS OF THE GROUP

	2020	2019	2018	2017	2016
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Income statement					
Gross profit/loss.....	28,395	34,546	37,360	32,411	26,812
Operating profit/loss of main activities...	5,052	10,902	13,942	12,714	3,222
Financial income and expenses, net.....	186	-4,123	-3,701	-3,604	-2,337
Profit/loss for the year before tax.....	5,234	9,072	10,554	9,109	885
Profit/loss for the year.....	3,757	7,876	8,157	7,238	699
Balance sheet					
Total assets.....	223,327	180,578	174,643	167,383	175,764
Equity.....	73,503	69,793	62,005	53,807	46,507
Cash flows					
Investment in property, plant and equipment.....	-20,737	-12,290	-1,408	-1,337	-521
Key ratios					
Equity ratio.....	32.9	38.6	35.5	32.1	26.5
Return on equity.....	5.2	12.0	14.1	14.4	1.5

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

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

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

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 3,757 T.DKK. against 7,876 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

Despite continued Covid 19 challenges, the management anticipates profit growth for 2021 compared to 2020.

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	
		2020 DKK '000	2019 DKK '000	2020 DKK '000	2019 DKK '000
GROSS PROFIT	2	28,395	34,546	2,474	2,962
Staff costs.....	3	-21,250	-22,282	-2,139	-2,142
Depreciation, amortisation and impairment losses.....		-2,093	-1,362	-137	-78
OPERATING PROFIT		5,052	10,902	198	742
Result of equity investments in group and associated enterprises	4	-4	2,293	2,846	8,540
Other financial income.....	5	3,012	1,183	2,021	725
Other financial expenses.....	6	-2,826	-5,306	-825	-2,502
PROFIT BEFORE TAX		5,234	9,072	4,240	7,505
Tax on profit/loss for the year	7	-1,477	-1,196	-483	371
PROFIT FOR THE YEAR	8	3,757	7,876	3,757	7,876

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	Group		Parent Company	
		2020 DKK '000	2019 DKK '000	2020 DKK '000	2019 DKK '000
Land and buildings.....		34,912	35,440	0	0
Other plant, machinery tools and equipment.....		1,424	1,747	344	155
Tangible fixed assets in progress and prepayment.....		32,366	11,974	0	0
Property, plant and equipment...	9	68,702	49,161	344	155
Equity investments in group enterprises.....		0	1	89,151	86,352
Equity investments in associated enterprises.....		0	4	0	0
Other investments.....		0	2,111	0	0
Rent deposit and other receivables.....		200	200	200	200
Financial non-current assets.....	10	200	2,316	89,351	86,552
NON-CURRENT ASSETS.....		68,902	51,477	89,695	86,707
Finished goods and goods for resale.....		97,524	97,052	0	0
Work in progress.....		29,085	20,039	0	0
Inventories.....		126,609	117,091	0	0
Trade receivables.....		11,533	7,051	0	0
Contract work in progress.....		86	2,998	0	0
Receivables from group enterprises.....		0	0	20,841	19,380
Receivables from associated enterprises.....		165	0	21	23
Provision for deferred tax.....	1	0	0	28	38
Other receivables.....		2,851	651	138	176
Corporation tax receivable.....		140	55	0	0
Joint tax contribution receivable..		563	0	563	1,735
Prepayments and accrued income..	11	439	326	161	145
Receivables.....		15,777	11,081	21,752	21,497
Cash and cash equivalents.....		12,039	929	0	0
CURRENT ASSETS.....		154,425	129,101	21,752	21,497
ASSETS.....		223,327	180,578	111,447	108,204

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	Group		Parent Company	
		2020 DKK '000	2019 DKK '000	2020 DKK '000	2019 DKK '000
Share capital.....	12	5,000	5,000	5,000	5,000
Reserve for net revaluation according to equity value method.....		0	0	49,081	46,280
Retained earnings.....		68,503	64,793	19,422	18,513
EQUITY.....		73,503	69,793	73,503	69,793
Provision for deferred tax.....	1	980	807	0	0
PROVISIONS.....		980	807	0	0
Mortgage debt.....		13,416	14,108	0	0
Other bank debt.....		27,615	3,375	0	0
Payables to group enterprises.....		17,918	19,751	17,918	19,751
Derived financial instruments.....	13	1,523	1,857	0	0
Other liabilities.....		7,203	7,038	6,340	6,755
Non-current liabilities.....	14	67,675	46,129	24,258	26,506
Bond loans.....		715	717	0	0
Mortgage debt.....		1,814	0	0	0
Bank debt.....		57,541	46,621	871	508
Prepayments received concerning work in progress.....		2,081	1,988	0	0
Prepayments received from customers.....		4,769	2,744	0	0
Trade payables.....		7,910	7,475	399	382
Debt to group enterprises.....		0	0	10,300	8,617
Payables to owners and management.....		3	5	0	0
Corporation tax.....		1,525	1,240	798	1,240
Joint tax contribution payable.....		53	0	53	123
Derived financial instruments.....	13	220	0	0	0
Other liabilities.....		4,495	3,027	1,265	1,035
Accruals and deferred income.....	15	43	32	0	0
Current liabilities.....		81,169	63,849	13,686	11,905
LIABILITIES.....		148,844	109,978	37,944	38,411
EQUITY AND LIABILITIES.....		223,327	180,578	111,447	108,204
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 2020.....	5,000	64,793	69,793
Proposed profit allocation, note 8.....		3,757	3,757
Other legal bindings			
Foreign exchange adjustments.....		-136	-136
Reclassification from deferred tax.....		-25	-25
Fairvalue adjustments.....		114	114
Equity at 31 December 2020.....	5,000	68,503	73,503

	Parent Company			
	Share capital	Reserve for net revaluation according to equity value method	Retained earnings	Total
Equity at 1 January 2020.....	5,000	46,282	18,511	69,793
Proposed profit allocation, note 8.....		2,846	911	3,757
Other legal bindings				
Foreign exchange adjustments.....		-136		-136
Other adjustments to equity value.....		89		89
Equity at 31 December 2020.....	5,000	49,081	19,422	73,503

CASH FLOW STATEMENT 1 JANUARY - 31 DECEMBER

	Group	
	2020 DKK '000	2019 DKK '000
Profit/loss for the year.....	3,757	7,876
Depreciation and amortisation, reversed.....	1,353	1,362
Reversed realization gains.....	741	-167
Profit/loss from associates.....	0	-2,293
Profit/loss from subsidiaries.....	4	0
Tax on profit/loss, reversed.....	1,477	1,196
Corporation tax paid.....	-1,650	-1,720
Change in inventories.....	-9,518	-12,803
Change in receivables (ex tax).....	-3,938	13,775
Change in current liabilities (ex bank, tax, instalments payable and overdraft facility).....	3,964	11,715
CASH FLOWS FROM OPERATING ACTIVITY.....	-3,810	18,941
Purchase of property, plant and equipment.....	-20,737	-12,290
Sale of property, plant and equipment.....	0	1,547
Purchase of financial assets.....	0	-2,115
Sale of financial assets.....	1,376	2,410
CASH FLOWS FROM INVESTING ACTIVITY.....	-19,361	-10,448
Other changes in non-current debt.....	23,361	1,817
CASH FLOWS FROM FINANCING ACTIVITY.....	23,361	1,817
CHANGE IN CASH AND CASH EQUIVALENTS.....	190	10,310
Cash and cash equivalents at 1. januar.....	-45,692	-56,002
CASH AND CASH EQUIVALENTS AT 31. DECEMBER.....	-45,502	-45,692
Cash and cash equivalents at 31 December comprise:		
Cash and cash equivalents.....	12,039	929
Bank debt.....	-57,541	-46,621
CASH AND CASH EQUIVALENTS, NET DEBT.....	-45,502	-45,692

NOTES

Note

Provision for deferred tax

1

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

	Group		Parent Company	
	2020	2019	2020	2019
	DKK '000	DKK '000	DKK '000	DKK '000
Deferred tax, beginning of year.....	807	844	38	80
Deferred tax for the year, Income Statement.....	173	-37	-10	-42
Provision for deferred tax 31 December 2020.....	980	807	28	38
Special items				
Fixed costs compensation.....	1,271	0	0	0
Salary compensation.....	1,993	0	256	0
	3,264	0	256	0
Staff costs				
Average number of employees	37	37	3	4
Wages and salaries.....	19,788	20,894	1,856	1,902
Pensions.....	1,055	970	233	210
Social security costs.....	158	179	23	26
Other staff costs.....	249	239	27	4
	21,250	22,282	2,139	2,142

2

3

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 associated enterprises

4

Result of equity investments in group enterprises.....	-4	0	2,846	6,247
Result of investments in associated enterprises.....	0	2,293	0	2,293
	-4	2,293	2,846	8,540

Other financial income

5

Group enterprises.....	0	0	268	725
Other interest income.....	3,012	1,183	1,753	0
	3,012	1,183	2,021	725

NOTES

					Note
Other financial expenses					6
Group enterprises.....	731	739	731	739	
Other interest expenses.....	2,095	4,567	94	1,763	
	2,826	5,306	825	2,502	
Tax on profit/loss for the year					7
Calculated tax on taxable income of the year.....	1,305	1,371	473	-271	
Adjustment of tax in previous years.....	0	-138	0	-142	
Adjustment of deferred tax.....	172	-37	10	42	
	1,477	1,196	483	-371	
Proposed distribution of profit					8
Allocation to reserve for net revaluation according to equity value method.....	0	0	2,846	6,247	
Retained earnings.....	3,757	7,876	911	1,629	
	3,757	7,876	3,757	7,876	
Property, plant and equipment					9
		Group			
		Land and buildings	Other plant, machinery tools and equipment	Tangible fixed assets in progress and prepayment	
Cost at 1 January 2020.....	41,256	10,799	11,974		
Additions.....	0	345	20,392		
Disposals.....	0	-893	0		
Cost at 31 December 2020.....	41,256	10,251	32,366		
Depreciation and impairment losses at 1 January 2020.....	4,159	9,078			
Reversal of depreciation of assets disposed of..	0	-893			
Depreciation for the year.....	2,185	642			
Depreciation and impairment losses at 31 December 2020.....	6,344	8,827			
Carrying amount at 31 December 2020.....	34,912	1,424	32,366		
Interest expenses recognised as part of cost of assets.....				601	

NOTES

		Note
Tangible fixed assets (continued)		9
	Parent Company	
	<u>Other plant, machinery tools and equipment</u>	
Cost at 1 January 2020.....	2,574	
Additions.....	326	
Disposals.....	-775	
Cost at 31 December 2020.....	2,125	
Depreciation and impairment losses at 1 January 2020.....	2,419	
Reversal of depreciation of assets disposed of.....	-775	
Depreciation for the year.....	137	
Depreciation and impairment losses at 31 December 2020.....	1,781	
Carrying amount at 31 December 2020.....	344	
 Financial non-current assets		 10
	Group	
	<u>Equity investments in group enterprises</u>	<u>Equity investments in associated enterprises</u>
Cost at 1 January 2020.....	0	4
Cost at 31 December 2020.....	0	4
Impairment losses for the year.....	0	4
Impairment losses and amortisation of goodwill at 31 December 2020.....	0	4
Carrying amount at 31 December 2020.....	0	0
	Group	
	<u>Other investments</u>	<u>Rent deposit and other receivables</u>
Cost at 1 January 2020.....	2,111	200
Disposals.....	-2,111	0
Cost at 31 December 2020.....	0	200
Carrying amount at 31 December 2020.....	0	200

NOTES

	<u>Parent Company</u>		Note
	Equity investments in group enterprises	Rent deposit and other receivables	
Fixed asset investments (continued)			10
Cost at 1 January 2020.....	41,868	200	
Cost at 31 December 2020.....	41,868	200	
Revaluation at 1 January 2020.....	44,484	0	
Exchange adjustment.....	-136	0	
Profit/loss for the year.....	2,846	0	
Other adjustments.....	89	0	
Revaluation at 31 December 2020.....	47,283	0	
Carrying amount at 31 December 2020.....	89,151	200	
Investments in subsidiaries			
Name and domicil		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 domicil		Ownership	
GTS ICE Limited, United Kingdom.....		50 %	
Prepayments and accrued income			11
Prepayments and accrued income comprise prepaid costs, primarily insurances and membership fees, relating to the next financial year.			
	2020	2019	
	DKK '000	DKK '000	
Share capital			12
Allocation of share capital:			
A-shares, 1 unit in the denomination of 5,000,000 DKK.....	5,000	5,000	
	5,000	5,000	

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 1,743 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 instruments impact the Balance Sheet, Income Statement and Equity as follows:

	<u>Group</u>
	Interest-swap
Fair value at 31 December 2020	
Liabilities.....	1,743
	1,743
Value adjustment in the year recognised in Equity.....	114

Long-term liabilities

14

	<u>Group</u>			
	31/12 2020	Repayment	Debt	31/12 2019
	total liabilities	next year	outstanding	total liabilities
			after 5 years	
Mortgage debt.....	14,131	715	13,371	14,825
Other bank debt.....	29,429	1,814	14,339	3,375
Payables to group enterprises.....	17,918	0	17,918	19,751
Derived financial instruments.....	1,743	220	0	1,857
Other liabilities.....	7,203	0	7,203	7,038
	70,424	2,749	52,831	46,846
	<u>Parent Company</u>			
	31/12 2020	Repayment	Debt	31/12 2019
	total liabilities	next year	outstanding	total liabilities
			after 5 years	
Payables to group enterprises.....	17,918	0	17,918	19,751
Other liabilities.....	6,340	0	6,340	6,755
	24,258	0	24,258	26,506

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 225.400 GBP.

Mortgage debt is secured upon the properties. The carrying amount of mortgaged properties is 34.912 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 3,599 T.DKK.

The Group has provided unlimited security for associated companies debts to banks. The Groups bank loans are total 57.541 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) 797 at the balance sheet date.

Charges and securities

17

As collateral for bank debt of 42,443 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	573 T.DKK
Inventories	126.608 T.DKK
Trade receivables	9.333 T.DKK
Contract work in progress	86 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 2020 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.

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

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 equity interests 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.

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.

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.

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.

ACCOUNTING POLICIES

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.