

G&O Investment A/S
Jægersborg Alle 4, 5.
2920 Charlottenlund
Central Business Registration
No 35817557

Annual report
01.07.2018 -
30.06.2019

The Annual General Meeting adopted the annual report on 09.09.2019

Chairman of the General Meeting

Name: Karsten Lindved

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Entity details

Entity

G&O Investment A/S
Jægersborg Alle 4, 5.
2920 Charlottenlund

Central Business Registration No (CVR): 35817557

Founded: 01.04.2014

Registered in: Charlottenlund

Financial year: 01.07.2018 - 30.06.2019

Board of Directors

Søren Klarskov Vilby, Chairman

Kristian la Cour

Thomas Marstrand

Bo Kristensen

Executive Board

Thomas Marstrand, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Dokken 8

Postbox 200

6701 Esbjerg

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of G&O Investment A/S for the financial year 01.07.2018 - 30.06.2019.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.06.2019 and of the results of its operations and cash flows for the financial year 01.07.2018 - 30.06.2019.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Charlottenlund, 06.09.2019

Executive Board

Thomas Marstrand
Chief Executive Officer

Board of Directors

Søren Klarskov Vilby
Chairman

Kristian la Cour

Thomas Marstrand

Bo Kristensen

Independent auditor's report

To the shareholders of G&O Investment A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of G&O Investment A/S for the financial year 01.07.2018 - 30.06.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30.06.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.07.2018 - 30.06.2019 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 financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent financial statements

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

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements

Independent auditor's report

can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Esbjerg, 06.09.2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Jørn Jepsen
State Authorised Public Accountant
Identification No (MNE) mne24824

Management commentary

	2018/19 DKK'000	2017/18 DKK'000	2015/16 DKK'000	2014/15 DKK'000	2013/14 DKK'000
Financial highlights					
Key figures					
Gross profit	125,465	118,893	114,998	117,288	69,303
Operating profit/loss	40,075	26,925	23,070	28,228	2,344
Net financials	(2,577)	(3,355)	(3,055)	(2,778)	981
Profit/loss for the year	28,684	17,405	16,546	26,300	16,033
Profit/loss for the year excl minority interests	28,684	17,405	16,546	26,300	16,033
Total assets	287,710	312,280	324,351	342,075	266,572
Investments in property, plant and equipment	5,739	5,731	5,099	35,340	33,713
Equity	93,109	189,624	173,135	158,730	95,589
Equity excl minority interests	93,109	189,624	173,135	158,730	95,589
Cash flows from (used in) operating activities	58,228	39,620	27,884	(37,247)	N/A
Cash flows from (used in) investing activities	(7,960)	(7,639)	(94,010)	(96,695)	N/A
Cash flows from (used in) financing activities	(150,225)	(25,349)	52,248	114,500	N/A
Average numbers of employees	159	175	183	170	N/A
Ratios					
Return on equity (%)	20.3	9.6	10.0	20.7	16.8
Equity ratio (%)	32.4	60.7	53.4	46.4	35.9

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Calculation formula reflects
Return on equity (%)	$\frac{\text{Profit/loss for the year excl minority interests} \times 100}{\text{Average equity excl minority interests}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity excl minority interests} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The Company's main activity comprises equity holdings in group enterprises. The Group's main activity comprises production and sale of products to the maritime sector.

Development in activities and finances

The group's profit for the year amounts to DKK 28,684k which Management considers acceptable.

Profit/loss for the year in relation to expected developments

During the year, the Group has experienced lower earnings growth than expected.

Outlook

The expectations for 2019/20 remain positive compared to 2018/19.

Particular risks

Business risks

The Group's most important business risk is linked to its ability to be strongly positioned on the markets in which the Group sells its products. During the financial year, the Group strengthened its position on these markets through group establishment with companies having a similar customer base.

Currency risks

The Group does most of its trade abroad, and a significant part of its revenue is invoiced in foreign currencies. The Group evaluates on a current basis the need for use of financial instruments to hedge net positions and future transactions.

Liquidity

Management assesses that the Group has the necessary funds available to meet the continued development of its activities.

Intellectual capital resources

Compared to the Group's operating risk, it is important to maintain a market leadership. This is done by attraction and continuous training and education of intellectual capital resources in accordance with market requirements as well as focused sale and marketing.

Environmental performance

The Group is eco-conscious and works on a current basis to improve the environmental impact of both its own operating activities as well as its customers

Research and development activities

It is important to the Group to remain a market-leading manufacturer. This is done by current product development taking the market requirements into consideration.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2018/19

	<u>Notes</u>	<u>2018/19 DKK'000</u>	<u>2017/18 DKK'000</u>
Gross profit		125,465	118,893
Staff costs	1	(68,620)	(76,294)
Depreciation, amortisation and impairment losses	2	(16,741)	(15,635)
Other operating expenses		(29)	(39)
Operating profit/loss		40,075	26,925
Other financial income		1,891	2,504
Other financial expenses		(4,468)	(5,859)
Profit/loss before tax		37,498	23,570
Tax on profit/loss for the year		(8,814)	(6,165)
Profit/loss for the year	3	28,684	17,405

Consolidated balance sheet at 30.06.2019

	<u>Notes</u>	<u>2018/19 DKK'000</u>	<u>2017/18 DKK'000</u>
Completed development projects		8,124	8,809
Acquired intangible assets		601	525
Acquired licences		2,248	3,572
Goodwill		72,571	77,307
Development projects in progress		3,461	2,478
Intangible assets	4	<u>87,005</u>	<u>92,691</u>
Land and buildings		28,371	28,308
Plant and machinery		15,903	17,965
Other fixtures and fittings, tools and equipment		2,057	2,097
Leasehold improvements		956	697
Property, plant and equipment	5	<u>47,287</u>	<u>49,067</u>
Fixed assets		<u>134,292</u>	<u>141,758</u>
Raw materials and consumables		69,433	71,060
Work in progress		10,262	8,207
Manufactured goods and goods for resale		10,871	11,548
Assets held for sale		3,897	4,002
Prepayments for goods		2,137	3,438
Inventories		<u>96,600</u>	<u>98,255</u>
Trade receivables		40,649	48,240
Contract work in progress	6	1,718	1,304
Deferred tax	7	6,878	13,039
Other receivables		4,105	4,788
Prepayments	8	2,225	2,545
Receivables		<u>55,575</u>	<u>69,916</u>
Cash		<u>1,243</u>	<u>2,351</u>
Current assets		<u>153,418</u>	<u>170,522</u>
Assets		<u>287,710</u>	<u>312,280</u>

Consolidated balance sheet at 30.06.2019

	<u>Notes</u>	<u>2018/19 DKK'000</u>	<u>2017/18 DKK'000</u>
Contributed capital		2,085	2,085
Retained earnings		91,024	187,539
Equity		93,109	189,624
Other provisions		2,440	2,584
Provisions		2,440	2,584
Mortgage debt		7,824	8,578
Finance lease liabilities		554	1,134
Non-current liabilities other than provisions	9	8,378	9,712
Current portion of long-term liabilities other than provisions	9	1,335	25,226
Bank loans		105,020	6,171
Prepayments received from customers		11,859	14,102
Trade payables		24,108	28,791
Income tax payable		4,046	999
Other payables		16,319	12,637
Deferred income	10	21,096	22,434
Current liabilities other than provisions		183,783	110,360
Liabilities other than provisions		192,161	120,072
Equity and liabilities		287,710	312,280
Contingent liabilities	12		
Assets charged and collateral	13		
Subsidiaries	14		

Consolidated statement of changes in equity for 2018/19

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed extraordinary dividend DKK'000	Total DKK'000
Equity beginning of year	2,085	187,539	0	189,624
Extraordinary dividend paid	0	0	(125,000)	(125,000)
Exchange rate adjustments	0	(199)	0	(199)
Profit/loss for the year	0	(96,316)	125,000	28,684
Equity end of year	2,085	91,024	0	93,109

Consolidated cash flow statement for 2018/19

	<u>Notes</u>	<u>2018/19 DKK'000</u>	<u>2017/18 DKK'000</u>
Operating profit/loss		39,809	26,925
Amortisation, depreciation and impairment losses		16,741	15,635
Other provisions		(144)	(220)
Working capital changes	11	4,726	2,169
Cash flow from ordinary operating activities		61,132	44,509
Financial income received		2,157	2,627
Financial expenses paid		(4,667)	(5,920)
Income taxes refunded/(paid)		(394)	(1,596)
Cash flows from operating activities		58,228	39,620
Acquisition etc of intangible assets		(3,179)	(3,588)
Sale of intangible assets		121	0
Acquisition etc of property, plant and equipment		(5,740)	(5,738)
Sale of property, plant and equipment		838	1,687
Cash flows from investing activities		(7,960)	(7,639)
Repayments of loans etc		(25,225)	(24,349)
Dividend paid		(125,000)	(1,000)
Cash flows from financing activities		(150,225)	(25,349)
Increase/decrease in cash and cash equivalents		(99,957)	6,632
Cash and cash equivalents beginning of year		(3,820)	(10,452)
Cash and cash equivalents end of year		(103,777)	(3,820)
Cash and cash equivalents at year-end are composed of:			
Cash		1,243	2,351
Short-term debt to banks		(105,020)	(6,171)
Cash and cash equivalents end of year		(103,777)	(3,820)

Notes to consolidated financial statements

	2018/19 DKK'000	2017/18 DKK'000
1. Staff costs		
Wages and salaries	61,637	68,101
Pension costs	3,852	4,146
Other social security costs	1,027	1,048
Other staff costs	2,104	2,999
	68,620	76,294
Average number of employees	159	175
		Remunera- tion of manage- ment 2018/19 DKK'000
Total amount for management categories		303
		303
	2018/19 DKK'000	2017/18 DKK'000
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	8,865	8,694
Depreciation of property, plant and equipment	7,491	6,888
Impairment losses on property, plant and equipment	105	0
Profit/loss from sale of intangible assets and property, plant and equipment	280	53
	16,741	15,635
	2018/19 DKK'000	2017/18 DKK'000
3. Proposed distribution of profit/loss		
Extraordinary dividend distributed in the financial year	125,000	0
Retained earnings	(96,316)	17,405
	28,684	17,405

Notes to consolidated financial statements

	Completed develop- ment projects DKK'000	Acquired intangible assets DKK'000	Acquired licences DKK'000	Goodwill DKK'000
4. Intangible assets				
Cost beginning of year	8,693	857	6,941	95,758
Additions	1,145	145	906	0
Disposals	0	(121)	0	0
Cost end of year	9,838	881	7,847	95,758
Amortisation and impairment losses beginning of year	116	(332)	(3,369)	(18,451)
Amortisation for the year	(1,830)	(69)	(2,230)	(4,736)
Reversal regarding disposals	0	121	0	0
Amortisation and impairment losses end of year	(1,714)	(280)	(5,599)	(23,187)
Carrying amount end of year	8,124	601	2,248	72,571
				Develop- ment projects in progress DKK'000
4. Intangible assets				
Cost beginning of year				2,478
Additions				983
Disposals				0
Cost end of year				3,461
Amortisation and impairment losses beginning of year				0
Amortisation for the year				0
Reversal regarding disposals				0
Amortisation and impairment losses end of year				0
Carrying amount end of year				3,461

Development projects

The capitalised development costs relate to the development of a new generation of products that will entail lower production costs and ensure that our new products comply with tightened regulatory requirements.

The aim of the development project is to ensure that the Group's products remain leading in the market and that the market share remains high.

Notes to consolidated financial statements

We expect the development projects to be completed in Q3 2019. See further details in the subsidiaries.

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve- ments DKK'000
5. Property, plant and equipment				
Cost beginning of year	32,216	27,257	2,126	961
Exchange rate adjustments	0	(166)	0	0
Transfers	175	(175)	0	0
Additions	1,807	2,829	615	488
Disposals	0	(2,383)	(74)	0
Cost end of year	34,198	27,362	2,667	1,449
Depreciation and impairment losses beginning of year	(3,908)	(9,292)	(29)	(264)
Exchange rate adjustments	0	102	0	0
Depreciation for the year	(1,919)	(4,732)	(611)	(229)
Reversal regarding disposals	0	2,463	30	0
Depreciation and impairment losses end of year	(5,827)	(11,459)	(610)	(493)
Carrying amount end of year	28,371	15,903	2,057	956
			2018/19 DKK'000	2017/18 DKK'000
6. Contract work in progress				
Contract work in progress			1,718	1,304
			1,718	1,304

Notes to consolidated financial statements

	2018/19 DKK'000
7. Deferred tax	
Intangible assets	(3,932)
Property, plant and equipment	579
Inventories	1,835
Liabilities other than provisions	542
Tax losses carried forward	7,854
	6,878
Changes during the year	
Beginning of year	13,039
Recognised in the income statement	(6,161)
End of year	6,878

Management believes that tax losses carried forward will be used in the next 3 years.

8. Prepayments

Deferred income relates to sundry prepaid expenses, including insurance etc.

	Due within 12 months 2018/19 DKK'000	Due within 12 months 2017/18 DKK'000	Due after more than 12 months 2018/19 DKK'000	Outstanding after 5 years DKK'000
9. Liabilities other than provisions				
Mortgage debt	755	748	7,824	4,729
Bank loans	0	9,000	0	0
Finance lease liabilities	580	565	554	0
Debt to other credit institutions	0	14,913	0	N/A
	1,335	25,226	8,378	4,729

10. Short-term deferred income

Deferred income comprises payments related to sales in 2017/18, recognised as income in subsequent financial years as well as badwill. Badwill amounts to DKK 21,096k.

	2018/19 DKK'000	2017/18 DKK'000
11. Change in working capital		
Increase/decrease in inventories	8,180	(1,615)
Increase/decrease in receivables	1,550	(3,703)
Increase/decrease in trade payables etc	(5,004)	7,487
	4,726	2,169

Notes to consolidated financial statements

	<u>2018/19</u> <u>DKK'000</u>	<u>2017/18</u> <u>DKK'000</u>
12. Contingent liabilities		
Recourse and non-recourse guarantee commitments	1,222	2,745
Contingent liabilities in total	1,222	2,745

Guarantee commitment consist of performance bond.

13. Assets charged and collateral

Bank debt is secured by way of a deposited mortgage deed registered to the mortgagor on property and plant of DKK 22,552k nominal.

The carrying amount of mortgaged properties amounts to DKK 28,371k.

Balance with Nordea is secured by way of a deposited chattel mortgage deed registered to the mortgagor on plant and operating fixtures and equipment of DKK 1,700k nominal.

The carrying amount is DKK 1,293k attributable to other plants and operating fixtures and equipment.

Balance with Nordea is secured by way of a deposited letter of indemnity (company charge) of DKK 12,000k nominal.

The company charge comprises operating equipment, inventories of raw materials and semi-manufacture, simple claims arising from sale of goods and services and goodwill, domain names, and rights according to the Patents Act, the Trademark Protection Act, the Designs Act, the Consolidate Utility Models Act, Consolidation act on Copyright and the Protection of the Topographies of Semiconductor Products Act.

The carrying amount of the asset comprised by the company charge amounts to DKK 80,879k and is attributable to property, plant and equipment DKK 854k, intangible assets DKK 11,176k, inventory DKK 45,311k, trade receivables DKK 23,538k.

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity inte- rest %</u>
14. Subsidiaries			
Pres-Vac Engineering A/S	Allerød	A/S	100.0
Atlas Incinerators ApS	Vordingborg	ApS	100.0
Atlas Incinerators Invest ApS	Vordingborg	ApS	100.0
Gertsen & Olufsen A/S	Allerød	A/S	100.0
Heco International A/S	Hedensted	A/S	100.0
Heco China A/S	Hedensted	A/S	100.0
Heco Mechanical Seals Technology (Suzhou) Co. Ltd.	Kina	Ltd.	100.0

Parent income statement for 2018/19

	<u>Notes</u>	<u>2018/19 DKK'000</u>	<u>2017/18 DKK'000</u>
Gross loss		(355)	(185)
Income from investments in group enterprises		29,512	16,768
Other financial income from group enterprises		110	1,515
Financial expenses from group enterprises		(665)	(60)
Other financial expenses		(151)	(450)
Profit/loss before tax		28,451	17,588
Tax on profit/loss for the year	2	233	(183)
Profit/loss for the year	3	28,684	17,405

Parent balance sheet at 30.06.2019

	<u>Notes</u>	<u>2018/19 DKK'000</u>	<u>2017/18 DKK'000</u>
Investments in group enterprises		138,764	129,451
Fixed asset investments	4	138,764	129,451
Fixed assets		138,764	129,451
Receivables from group enterprises		6,057	85,398
Joint taxation contribution receivable		4,026	2,014
Receivables		10,083	87,412
Cash		1	1
Current assets		10,084	87,413
Assets		148,848	216,864

Parent balance sheet at 30.06.2019

	<u>Notes</u>	<u>2018/19 DKK'000</u>	<u>2017/18 DKK'000</u>
Contributed capital	5	2,085	2,085
Reserve for net revaluation according to the equity method		75,444	46,131
Retained earnings		15,580	141,408
Equity		93,109	189,624
Current portion of long-term liabilities other than provisions		0	14,913
Payables to group enterprises		51,644	11,286
Income tax payable		3,782	917
Other payables		313	124
Current liabilities other than provisions		55,739	27,240
Liabilities other than provisions		55,739	27,240
Equity and liabilities		148,848	216,864
Staff costs	1		
Contingent liabilities	6		
Assets charged and collateral	7		
Related parties with controlling interest	8		
Transactions with related parties	9		

Parent statement of changes in equity for 2018/19

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Proposed extraordinary dividend DKK'000
Equity beginning of year	2,085	46,131	141,408	0
Extraordinary dividend paid	0	0	0	(125,000)
Exchange rate adjustments	0	(199)	0	0
Profit/loss for the year	0	29,512	(125,828)	125,000
Equity end of year	2,085	75,444	15,580	0
				Total DKK'000
Equity beginning of year				189,624
Extraordinary dividend paid				(125,000)
Exchange rate adjustments				(199)
Profit/loss for the year				28,684
Equity end of year				93,109

Notes to parent financial statements

	<u>2018/19</u>	<u>2017/18</u>
1. Staff costs		
Average number of employees	<u>0</u>	<u>0</u>
	<u>2018/19</u>	<u>2017/18</u>
	<u>DKK'000</u>	<u>DKK'000</u>
2. Tax on profit/loss for the year		
Current tax	0	180
Adjustment concerning previous years	0	3
Refund in joint taxation arrangement	(233)	0
	<u>(233)</u>	<u>183</u>
	<u>2018/19</u>	<u>2017/18</u>
	<u>DKK'000</u>	<u>DKK'000</u>
3. Proposed distribution of profit/loss		
Extraordinary dividend distributed in the financial year	125,000	0
Retained earnings	(96,316)	17,405
	<u>28,684</u>	<u>17,405</u>
		<u>Invest-</u>
		<u>ments in</u>
		<u>group</u>
		<u>enterprises</u>
		<u>DKK'000</u>
4. Fixed asset investments		
Cost beginning of year		63,320
Cost end of year		<u>63,320</u>
Revaluations beginning of year		66,131
Exchange rate adjustments		(199)
Amortisation of goodwill		(2,612)
Share of profit/loss for the year		32,124
Dividend		(20,000)
Revaluations end of year		<u>75,444</u>
Carrying amount end of year		<u>138,764</u>

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

Notes to parent financial statements

	<u>Number</u>	<u>Par value DKK'000</u>	<u>Nominal value DKK'000</u>
5. Contributed capital			
A-shares	1,694,913	1	1,695
B-shares	390,000	1	390
	<u>2,084,913</u>		<u>2,085</u>
		<u>2018/19 DKK'000</u>	<u>2017/18 DKK'000</u>
6. Contingent liabilities			
Recourse and non-recourse guarantee commitments		120,000	14,438
Contingent liabilities to group enterprises		<u>120,000</u>	<u>14,438</u>

Guarantees and other financial commitments for bank loans in group enterprises.

7. Assets charged and collateral

Bank debt concerning own and group enterprises is secured by way of a deposited investments in group enterprises.

The carrying amount of mortgaged shares amounts to DKK 138,764k.

8. Related parties with controlling interest

The Company has registered the following shareholders to hold more than 5% of the voting share capital or of the nominal value of the share capital:

Erhvervsinvest III K/S, Charlottenlund, Denmark

G & O Finans A/S, Hørsholm

9. Transactions with related parties

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

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

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Accounting policies

Business combinations

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful life. If the useful life cannot be estimated reliably, it is fixed at 20 years. Useful life is reassessed annually. Negative balances (negative goodwill) are recognised as income in the income statement.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Gross profit or loss

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

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Accounting policies

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other operating expenses

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

Other financial income

Other financial income comprises interest income, net capital gains on payables and transactions in foreign currencies

Other financial expenses

Other financial expenses comprise interest expenses net capital losses on payables and transactions in foreign currencies.

Tax on profit/loss for the year

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

Accounting policies

Balance sheet

Goodwill

Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. The amortisation period is 20 years because goodwill is derevalued of strategically acquired enterprises with a strong market position and a long-term earnings profile.

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

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation on property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

Accounting policies

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	10-40 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	5 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Group enterprises with a negative equity value are measured at zero value, and any receivables from these enterprises are written down by the Company's share of such negative equity if it is deemed irrecoverable. If the negative equity exceeds the amount receivable, the remaining amount is recognised under provisions if the Company has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straight-line over its estimated useful life, which is 20 years.

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

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost.

Accounting policies

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Assets held for sale

Assets held for sale are assets that are no longer in use and have been put up for sale. The assets are measured at the lower of carrying amount at the date of reclassification and net realisable value, and no amortisation or depreciation is made.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Contract work in progress

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts as well as finance costs are recognised in the income statement as incurred.

Deferred tax

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

Deferred tax assets, including the tax base of tax loss carry forwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Accounting policies

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

On acquisition of enterprises and investments in group enterprises, provisions are made for costs relating to restructuring in the acquired enterprise that were decided and published at the acquisition date at the latest.

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

Mortgage debt

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

Finance lease liabilities

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

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

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

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Income tax receivable or payable

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

Accounting policies

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.