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Heco International A/S
Hecovej 1
8722 Hedensted
Business Registration No
37660612

Annual report 01.07.2017 - 30.06.2018

The Annual General Meeting adopted the annual report on 14.11.2018

Chairman of the General Meeting

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Name: Karsten Lindved

Contents

Entity details

Entity
Heco International A/S
Hecovej 1
8722 Hedensted

Central Business Registration No (CVR): 37660612
Registered in: Hedensted
Financial year: 01.07.2017 - 30.06.2018

Phone: 75892122
Fax: 75890050

Board of Directors
Søren Klarskov Vilby, Chairman
Thomas Marstrand, Vice-chairman
Bo Kristensen
Kristian la Cour
Liselotte Grønborg Lundberg

Executive Board
Bo Kristensen, Chief Executive Officer
Karsten Lindved
Oscar Willian Gunner

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 Heco International A/S for the financial year 01.07.2017 - 30.06.2018.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.06.2018 and of the results of its operations for the financial year 01.07.2017 - 30.06.2018.

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

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

Hedensted, 31.10.2018

Executive Board

Bo Kristensen Chief Executive Officer	Karsten Lindved	Oscar Willian Gunner

Board of Directors

Søren Klarskov Vilby Chairman	Thomas Marstrand Vice-chairman	Bo Kristensen
Kristian la Cour	Liselotte Grønborg Lundberg	

Independent auditor's report

To the shareholders of Heco International A/S

Opinion

We have audited the financial statements of Heco International A/S for the financial year 01.07.2017 - 30.06.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared 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 30.06.2018 and of the results of its operations for the financial year 01.07.2017 - 30.06.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 financial statements section of this auditor's report. We are independent of the Entity 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 financial statements

Management is responsible for the preparation of 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity'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 financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report

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 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 Entity’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 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 Entity’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 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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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 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 financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the 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 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, 31.10.2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR)
33963556

Jørn Jepsen	Kim Ladegaard
State Authorised Public Accountant	State Authorised Public Accountant
Identification No (MNE) mne24824	Identification No (MNE) mne32799

Management commentary

Primary activities

As in previous years, the Company's main activity has been to manufacture, deliver and sell piston rod-stuffing boxes and rings for crosshead diesel engines.

Development in activities and finances

Profit for the year amounts to DKK 7,031k compared to a profit of DKK 5,154k for the period in 2016/17. Management considers the performance for the year not satisfactory.

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.

Income statement for 2017/18

	Notes	2017/18 DKK'000	2016/17 DKK'000
Gross profit		**23.531**	**23.118**
Staff costs	1	(10.840)	(12.445)
Depreciation, amortisation and impairment losses	2	(3.419)	(3.663)
Operating profit/loss		**9.272**	**7.010**
Other financial income from group enterprises		165	0
Financial expenses from group enterprises		(72)	0
Other financial expenses		(350)	(402)
Profit/loss before tax		**9.015**	**6.608**
Tax on profit/loss for the year	3	(1.984)	(1.454)
Profit/loss for the year		**7.031**	**5.154**
Proposed distribution of profit/loss			
Ordinary dividend for the financial year		6.000	5.000
Retained earnings		1.031	154
		7.031	**5.154**

Balance sheet at 30.06.2018

	Notes	2017/18 DKK'000	2016/17 DKK'000
Land and buildings		7.232	7.392
Plant and machinery		6.755	7.428
Other fixtures and fittings, tools and equipment		772	413
Property, plant and equipment	4	**14.759**	**15.233**
Fixed assets		**14.759**	**15.233**
Raw materials and consumables		11.298	7.389
Work in progress		407	573
Manufactured goods and goods for resale		3.803	6.908
Prepayments for goods		239	0
Inventories		**15.747**	**14.870**
Trade receivables		7.309	7.171
Receivables from group enterprises		19.527	7.656
Other receivables		184	67
Prepayments		35	80
Receivables		**27.055**	**14.974**
Cash		**3**	**4**
Current assets		**42.805**	**29.848**
Assets		**57.564**	**45.081**

Balance sheet at 30.06.2018

	Notes	2017/18 DKK'000	2016/17 DKK'000
Contributed capital		3.000	3.000
Retained earnings		12.811	11.780
Proposed dividend		6.000	5.000
Equity		**21.811**	**19.780**
Deferred tax		1.270	1.200
Provisions		**1.270**	**1.200**
Mortgage debt		8.578	9.325
Finance lease liabilities		1.134	1.699
Non-current liabilities other than provisions	5	**9.712**	**11.024**
Current portion of long-term liabilities other than provisions	5	1.313	1.293
Bank loans		624	925
Prepayments received from customers		1.333	0
Trade payables		6.098	1.700
Payables to group enterprises		10.005	3.755
Income tax payable		3.422	2.838
Other payables		1.976	2.566
Current liabilities other than provisions		**24.771**	**13.077**
Liabilities other than provisions		**34.483**	**24.101**
Equity and liabilities		**57.564**	**45.081**
Contingent liabilities	6		
Assets charged and collateral	7		

Statement of changes in equity for 2017/18

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	3.000	11.780	5.000	19.780
Ordinary dividend paid	0	0	(5.000)	(5.000)
Profit/loss for the year	0	1.031	6.000	7.031
Equity end of year	**3.000**	**12.811**	**6.000**	**21.811**

Notes

	2017/18 DKK'000	2016/17 DKK'000
1. Staff costs		
Wages and salaries	9.676	11.120
Pension costs	750	849
Other social security costs	208	204
Other staff costs	206	272
	10.840	**12.445**
Average number of employees	**26**	**27**

	2017/18 DKK'000	2016/17 DKK'000
2. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	3.460	3.663
Profit/loss from sale of intangible assets and property, plant and equipment	(41)	0
	3.419	**3.663**

	2017/18 DKK'000	2016/17 DKK'000
3. Tax on profit/loss for the year		
Current tax	1.914	1.508
Change in deferred tax	70	(54)
	1.984	**1.454**

Notes

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000
4. Property, plant and equipment			
Cost beginning of year	24.549	42.658	2.713
Additions	648	1.795	683
Disposals	0	(600)	(1.321)
Cost end of year	**25.197**	**43.853**	**2.075**
Depreciation and impairment losses beginning of year	(17.157)	(35.230)	(2.300)
Depreciation for the year	(808)	(2.468)	(184)
Reversal regarding disposals	0	600	1.181
Depreciation and impairment losses end of year	**(17.965)**	**(37.098)**	**(1.303)**
Carrying amount end of year	**7.232**	**6.755**	**772**
Recognised assets not owned by entity	**-**	**2.263**	**-**

	Due within 12 months 2017/18 DKK'000	Due within 12 months 2016/17 DKK'000	Due after more than 12 months 2017/18 DKK'000	Outstanding after 5 years DKK'000
5. Liabilities other than provisions				
Mortgage debt	748	742	8.578	5.512
Finance lease liabilities	565	551	1.134	0
	1.313	**1.293**	**9.712**	**5.512**

Notes

	2017/18 DKK'000	2016/17 DKK'000
6. Contingent liabilities		
Recourse and non-recourse guarantee commitments	34.000	47.668
Contingent liabilities in total	**34.000**	**47.668**
Recourse and non-recourse guarantee commitments	34.000	47.668
Contingent liabilities to group enterprises	**34.000**	**47.668**

The Entity participates in a Danish joint taxation arrangement which G&O Investment A/S serves as the administration company. According to the joint taxation provi-sions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial state-ments.

7. Assets charged and collateral

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

Bank loans are secured by way of a deposited mortgage deed registered to the mortgagor on plant of DKK 5,000k nominal.

The carrying amount of mortgaged properties is DKK 7,232k.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for report-ing class C.

The accounting policies applied to these 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.

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, own work capitalised, other operating income, 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.

Accounting policies

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

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

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

Depreciation, amortisation and impairment losses
Amortisation, depreciation and impairment losses relating to property, plant and equipment comprise amortisation, depreciation 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 property, plant and equipment.

Other financial income from group enterprises
Other financial income from group enterprises comprises interest income etc on receivables from group enterprises.

Financial expenses from group enterprises
Financial expenses from group enterprises comprise interest expenses etc from payables to group enterprises.

Other financial expenses
Other financial expenses comprise interest expenses, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

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

The Entity is jointly taxed with the parent company and all its Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Accounting policies

Balance sheet

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. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

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	10-15 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-5 years

Estimated useful lives and residual values are reassessed annually.

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

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 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.

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

Receivables

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

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Accounting policies

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity.

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 carryforwards, 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.

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 computed on this year's taxable income, adjusted for prepaid tax.