



Heco International A/S

Hecovej 1
8722 Hedensted
CVR No. 37660612

Annual report 01.07.2019 - 30.06.2020

The Annual General Meeting adopted the
annual report on 05.10.2020

Karsten Lindved

Chairman of the General Meeting

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Entity details

Entity

Heco International A/S

Hecovej 1

8722 Hedensted

CVR No.: 37660612

Registered office: Hedensted

Financial year: 01.07.2019 - 30.06.2020

Phone number: 75892122

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Board of Directors

Søren Klarskov Vilby, Chairman

Thomas Marstrand

Kristian la Cour

Bo Kristensen

Executive Board

Karsten Lindved

Oscar William Gunner

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Dokken 8

P. O. Box 200

6701 Esbjerg

Statement by Management

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 01.07.2019 - 30.06.2020.

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 30.06.2020 and of the results of its operations for the financial year 01.07.2019 - 30.06.2020.

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, 07.09.2020

Executive Board

Karsten Lindved

Oscar William Gunner

Board of Directors

Søren Klarskov Vilby
Chairman

Thomas Marstrand

Kristian la Cour

Bo Kristensen

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 01.07.2019 - 30.06.2020, 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 30.06.2020 and of the results of its operations for the financial year 01.07.2019 - 30.06.2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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.

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.

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, 07.09.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Jørn Jepsen

State Authorised Public Accountant
Identification No (MNE) mne24824

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

Result for the year 2019/20 amounted to a profit of DKK 8,031k compared to a profit of DKK 11,831k for the year 2018/19. Management considers the performance for the year acceptable.

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 2019/20

	Notes	2019/20 DKK'000	2018/19 DKK'000
Gross profit/loss		29,782	35,000
Staff costs	1	(14,403)	(14,800)
Depreciation, amortisation and impairment losses	2	(4,713)	(4,800)
Operating profit/loss		10,666	15,400
Other financial income from group enterprises		302	225
Other financial income		68	61
Financial expenses from group enterprises		(210)	(65)
Other financial expenses		(533)	(451)
Profit/loss before tax		10,293	15,170
Tax on profit/loss for the year	3	(2,262)	(3,339)
Profit/loss for the year		8,031	11,831
Proposed distribution of profit and loss			
Retained earnings		8,031	11,831
Proposed distribution of profit and loss		8,031	11,831

Balance sheet at 30.06.2020

Assets

	Notes	2019/20 DKK'000	2018/19 DKK'000
Land and buildings		7,050	8,141
Plant and machinery		8,528	10,336
Other fixtures and fittings, tools and equipment		1,038	1,066
Property, plant and equipment	4	16,616	19,543
Fixed assets		16,616	19,543
Raw materials and consumables		17,573	18,767
Work in progress		4,728	1,552
Manufactured goods and goods for resale		1,749	4,650
Prepayments for goods		0	597
Inventories		24,050	25,566
Trade receivables		9,172	7,581
Receivables from group enterprises		25,276	15,120
Other receivables		82	109
Prepayments		80	41
Receivables		34,610	22,851
Current assets		58,660	48,417
Assets		75,276	67,960

Equity and liabilities

	Notes	2019/20 DKK'000	2018/19 DKK'000
Contributed capital		3,000	3,000
Retained earnings		32,673	24,642
Equity		35,673	27,642
Deferred tax		1,949	2,088
Provisions		1,949	2,088
Mortgage debt		7,054	7,824
Finance lease liabilities		0	554
Other payables		1,106	0
Non-current liabilities other than provisions	5	8,160	8,378
Current portion of non-current liabilities other than provisions	5	1,321	1,335
Bank loans		1,236	6,272
Prepayments received from customers		0	798
Trade payables		4,779	4,882
Payables to group enterprises		13,695	9,380
Income tax payable		4,922	4,435
Other payables		3,541	2,750
Current liabilities other than provisions		29,494	29,852
Liabilities other than provisions		37,654	38,230
Equity and liabilities		75,276	67,960
Contingent liabilities	6		
Assets charged and collateral	7		

Statement of changes in equity for 2019/20

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	3,000	24,642	27,642
Profit/loss for the year	0	8,031	8,031
Equity end of year	3,000	32,673	35,673

Notes

1 Staff costs

	2019/20 DKK'000	2018/19 DKK'000
Wages and salaries	12,888	13,294
Pension costs	1,016	1,011
Other social security costs	245	272
Other staff costs	254	223
	14,403	14,800
Average number of full-time employees	34	32

2 Depreciation, amortisation and impairment losses

	2019/20 DKK'000	2018/19 DKK'000
Depreciation of property, plant and equipment	4,713	4,825
Profit/loss from sale of intangible assets and property, plant and equipment	0	(25)
	4,713	4,800

3 Tax on profit/loss for the year

	2019/20 DKK'000	2018/19 DKK'000
Current tax	2,401	2,521
Change in deferred tax	(139)	818
	2,262	3,339

4 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000
Cost beginning of year	27,157	50,001	2,627
Additions	0	1,522	264
Cost end of year	27,157	51,523	2,891
Depreciation and impairment losses beginning of year	(19,016)	(39,665)	(1,561)
Depreciation for the year	(1,091)	(3,330)	(292)
Depreciation and impairment losses end of year	(20,107)	(42,995)	(1,853)
Carrying amount end of year	7,050	8,528	1,038
Recognised assets not owned by entity	0	711	0

5 Non-current liabilities other than provisions

	Due within 12 months 2019/20 DKK'000	Due within 12 months 2018/19 DKK'000	Due after more than 12 months 2019/20 DKK'000	Outstanding after 5 years 2019/20 DKK'000
Mortgage debt	767	755	7,054	3,927
Finance lease liabilities	554	580	0	0
Other payables	0	0	1,106	1,106
	1,321	1,335	8,160	5,033

6 Contingent liabilities

	2019/20 DKK'000	2018/19 DKK'000
Recourse and non-recourse guarantee commitments	77,800	112,800
Contingent liabilities	77,800	112,800
Recourse and non-recourse guarantee commitments	77,800	112,800
Contingent liabilities to group enterprises	77,800	112,800

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

The Entity participates in a Danish joint taxation arrangement where G&O Investment A/S serves as the administration company. According to the joint taxation provisions 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 statements.

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 7,050k.

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 reporting 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 nonmonetary 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.

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

Depreciation, amortisation and impairment losses relating to property, plant and equipment comprise depreciation, amortisation and impairment losses for the financial year, 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.

Other financial income

Other financial income comprises interest income, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

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 all Danish group enterprises. 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).

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.

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.

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.