



Union Engineering Holding II a/s

Snaremoosevej 27
7000 Fredericia
CVR No. 38297171

Annual report 2019

The Annual General Meeting adopted the
annual report on 21.08.2020

Grant William O'Grady

Chairman of the General Meeting

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Entity details

Entity

Union Engineering Holding II a/s

Snarelosevej 27

7000 Fredericia

CVR No.: 38297171

Registered office: Fredericia

Financial year: 01.01.2019 - 31.12.2019

Board of Directors

Grant William O'Grady

Michael Bove

Valentina Masi

Executive Board

Michael Bove, direktør

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Egtved Allé 4

6000 Kolding

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Union Engineering Holding II a/s for the financial year 01.01.2019 - 31.12.2019.

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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

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.

Fredericia, 21.08.2020

Executive Board

Michael Bove
direktør

Board of Directors

Grant William O'Grady

Michael Bove

Valentina Masi

Independent auditor's report

To the shareholders of Union Engineering Holding II a/s

Opinion

We have audited the financial statements of Union Engineering Holding II a/s for the financial year 01.01.2019 - 31.12.2019, 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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Kolding, 21.08.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Ole Søndergaard Larsen

State Authorised Public Accountant
Identification No (MNE) mne11676

Lars Dam Østergaard

State Authorised Public Accountant
Identification No (MNE) mne34501

Management commentary

Primary activities

Union Engineering Holding II A/S owns and controls 100% of the shares in Union Engineering A/S, and is the holding company for the operating company Union Engineering A/S and its subsidiaries.

Development in activities and finances

The profit/loss for the year after tax amounted to DKK 8.5m, 2018 to DKK (28.9m). Management consider this to be satisfactory.

Uncertainty relating to recognition and measurement

Reference is made to note 1 in the financial statements.

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.

Any impact for for COVID-19 is not considered likely to impact this company.

Income statement for 2019

	Notes	2019 DKK'000	2018 DKK'000
Administrative expenses		(15)	(16)
Operating profit/loss		(15)	(16)
Income from investments in group enterprises		8,474	(28,830)
Other financial income		0	1
Other financial expenses	3	(14)	(8)
Profit/loss before tax		8,445	(28,853)
Tax on profit/loss for the year	4	6	5
Profit/loss for the year		8,451	(28,848)
Proposed distribution of profit and loss			
Extraordinary dividend distributed in the financial year		0	20,000
Retained earnings		8,451	(48,848)
Proposed distribution of profit and loss		8,451	(28,848)

Balance sheet at 31.12.2019

Assets

	Notes	2019 DKK'000	2018 DKK'000
Investments in group enterprises		148,649	139,803
Other financial assets	5	148,649	139,803
Fixed assets		148,649	139,803
Receivables from group enterprises		4,929	5,708
Deferred tax		11	6
Receivables		4,940	5,714
Cash		2,296	1,545
Current assets		7,236	7,259
Assets		155,885	147,062

Equity and liabilities

	Notes	2019 DKK'000	2018 DKK'000
Contributed capital	6	30,860	30,860
Retained earnings		125,006	116,183
Equity		155,866	147,043
Trade payables		19	19
Current liabilities other than provisions		19	19
Liabilities other than provisions		19	19
Equity and liabilities		155,885	147,062
Uncertainty relating to recognition and measurement	1		
Staff costs	2		
Contingent liabilities	7		
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Statement of changes in equity for 2019

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	30,860	116,183	147,043
Exchange rate adjustments	0	372	372
Profit/loss for the year	0	8,451	8,451
Equity end of year	30,860	125,006	155,866

Notes

1 Uncertainty relating to recognition and measurement

In connection with the financial reporting, the carrying amount of goodwill has been tested for impairment by use of a discounted cash flow model (DCF-model). This test is based on the Company's budget and forecasts as well as on a projection thereof in the subsequent years.

The key assumptions for the impairment are as follows:

- The expected cashflows are discounted at WACC of 9 %
- The expected growth in revenue during the budget-period of 5 years is 5%. For the following terminal period, a growth rate of 2% is applied.
- The expected EBITDA-margin in the terminal period is 9,1%

Changes to the significant assumptions could cause a writedown due to an impairment and the effect could be material.

2 Staff costs

	2019 DKK'000	2018 DKK'000
Average number of full-time employees	0	0

Persuant to Sec. 98(3) of the Danish Financial Statements Act remuneration of management is disclosed for both categories combined.

3 Other financial expenses

	2019 DKK'000	2018 DKK'000
Financial expenses from group enterprises	14	8
	14	8

4 Tax on profit/loss for the year

	2019 DKK'000	2018 DKK'000
Change in deferred tax	(6)	(5)
	(6)	(5)

5 Financial assets

	Investments in group enterprises DKK'000
Cost beginning of year	186,760
Cost end of year	186,760
Revaluations beginning of year	(46,957)
Exchange rate adjustments	372
Amortisation of goodwill	(10,883)
Share of profit/loss for the year	19,357
Revaluations end of year	(38,111)
Carrying amount end of year	148,649

Here of the carrying amount of goodwill amounts to DKK 87.066k.

6 Share capital

	Number	Par value DKK'000	Nominal value DKK'000
Ordinary shares	30,860,000	0,001	30,860
	30,860,000		30,860

7 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Pentair Denmark Holding ApS 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.

The Entity served as an administration company in a Danish joint taxation arrangement until 29.01.2017.

The Entity is liable for income taxes etc. for the jointly taxed entities and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities for tax years until 2017 including first part of tax year 2017, until the end of tax year 2022.

The carrying amount of the net value injected in the Company at 01.12.2016 (carrying amount of the net assets contributed) amounts to DKK 217.590.

8 Assets charged and collateral

The Entity has not provided any securities to any parties.

9 Related parties with controlling interest

The following parties have a controlling interest:

- Pentair PLC, Ireland, (no. 536025), 43 London Wall, London EC2M5TF, United Kingdom, Ultimate owner, shareholder.
- Pentair Denmark Holding ApS, CBR. No. 38 35 11 92, Hellerup, Denmark, Share owner.

10 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Pentair PLC, Ireland, (no. 536025), 3 London Wall, London EC2M5TF, United Kingdom, Ultimate owner, shareholder.

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.

Consolidated financial statements

Referring to 112(2) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

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.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are classified directly as equity.

Income statement

Administrative expenses

Administrative costs comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Income from investments in group enterprises

Income from investments in group enterprises comprises dividend etc received from the individual group enterprises in the financial year..

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, 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.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, 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 its parent company and all the parent company's 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).

Balance sheet

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 unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

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 fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation period used are 11 years, with a residual value of 0.

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

Receivables

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

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.

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.

Cash

Cash comprises cash in hand and bank deposits.

Other financial liabilities

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