



Pettinaroli A/S Northern Europe

Mandal Alle 21
5500 Middelfart
CVR No. 58495913

Annual report 2020

The Annual General Meeting adopted the
annual report on 20.04.2021

Kim Svaneborg Pedersen
Conductor

Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2020	9
Balance sheet at 31.12.2020	10
Statement of changes in equity for 2020	12
Notes	13
Accounting policies	16

Entity details

Entity

Pettinaroli A/S Northern Europe

Mandal Alle 21

5500 Middelfart

CVR No.: 58495913

Registered office: Middelfart

Financial year: 01.01.2020 - 31.12.2020

Board of Directors

Bent Juul Jørgensen, Chairman

Ugo Pettinaroli, Vice chairman

Morten Lorentzen

Jørgen Pedersen

Kim Svaneborg Pedersen

Laura Fortis

Giulio Pettinaroli

Maria Pia Pettinaroli

Executive Board

Kim Svaneborg Pedersen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Tværkajen 5

P. O. Box 10

5100 Odense

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Pettinaroli A/S Northern Europe for the financial year 01.01.2020 - 31.12.2020.

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 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020.

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.

Middelfart, 20.04.2021

Executive Board

Kim Svaneborg Pedersen

Board of Directors

Bent Juul Jørgensen
Chairman

Ugo Pettinaroli
Vice chairman

Morten Lorentzen

Jørgen Pedersen

Kim Svaneborg Pedersen

Laura Fortis

Giulio Pettinaroli

Maria Pia Pettinaroli

Independent auditor's report

To the shareholders of Pettinaroli A/S Northern Europe

Opinion

We have audited the financial statements of Pettinaroli A/S Northern Europe for the financial year 01.01.2020 - 31.12.2020, 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 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020 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.

Odense, 20.04.2021

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Per Krause Therkelsen

State Authorised Public Accountant
Identification No (MNE) mne19698

Management commentary

Financial highlights

	2020	2019	2017	2016	2015
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Gross profit/loss	15,633	14,100	12,675	11,866	12,706
Operating profit/loss	5,085	4,297	2,136	1,318	1,798
Net financials	(319)	(295)	(349)	(297)	(449)
Profit/loss for the year	3,711	3,090	1,371	771	1,030
Total assets	51,937	49,086	39,072	38,085	38,419
Investments in property, plant and equipment	54	27	159	120	37
Equity	7,609	6,580	4,590	3,838	3,868
Ratios					
Return on equity (%)	52.31	55.33	32.53	20.01	60.70
Equity ratio (%)	14.65	13.41	11.75	10.08	10.07

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Return on equity (%):

Profit/loss for the year * 100

Average equity

Equity ratio (%):

Equity * 100

Total assets

Primary activities

The company's principal activities have, like in previous years, comprised sale of Italian heating and plumbing components in a number of North European countries. The Company acts as sales and distribution centre for Fratelli Pettinaroli S.p.A. in Northern Europe.

Description of material changes in activities and finances

2020 has clearly been under influence of the COVID-19 pandemic in many ways. In the post scriptum of last year's statement we expressed an expectation of a negative growth of 10-25% in Q2 and a return to "normal" in Q3+Q4. In reality it turned out different: Q2 showed a small growth of 3% and the 2nd half of the year turned out really good resulting in an year above our expectations.

The growth in turnover was 6% and in operational profit 17%, mostly due to many cost savings.

The IT solutions implemented in Q2 2020 has provided a very tight cost control system and allowed board and management a real-time insight in the financial status and hence a quick response to changed. This certainty of the situation has improved the quality of managerial decisions significantly.

Many revised routines will be continued even after the Pandemic allows a return to (a more) normal operation.

We expect a similar growth in 2021 as well.

Events after the balance sheet date

No significant events after the balance sheet date has been noticed.

The COVID-19 Pandemic is still dominant in our environment and a return to more normal operation is expected in the 2nd half of 2021.

Income statement for 2020

	Notes	2020 DKK	2019 DKK
Gross profit/loss		15,633,498	14,099,942
Staff costs	1	(10,283,876)	(9,649,238)
Depreciation, amortisation and impairment losses		(265,071)	(153,592)
Operating profit/loss		5,084,551	4,297,112
Other financial income		133,068	69,574
Other financial expenses		(452,034)	(364,341)
Profit/loss before tax		4,765,585	4,002,345
Tax on profit/loss for the year	2	(1,054,648)	(911,904)
Profit/loss for the year		3,710,937	3,090,441
Proposed distribution of profit and loss			
Ordinary dividend for the financial year		3,000,000	2,682,000
Retained earnings		710,937	408,441
Proposed distribution of profit and loss		3,710,937	3,090,441

Balance sheet at 31.12.2020

Assets

	Notes	2020 DKK	2019 DKK
Completed development projects	4	459,911	488,641
Intangible assets	3	459,911	488,641
Other fixtures and fittings, tools and equipment		265,841	296,679
Leasehold improvements		167	2,175
Property, plant and equipment	5	266,008	298,854
Fixed assets		725,919	787,495
Manufactured goods and goods for resale		20,062,248	20,190,724
Inventories		20,062,248	20,190,724
Trade receivables		26,379,984	24,744,614
Receivables from group enterprises		0	26,019
Other receivables		2,380	50,248
Prepayments		248,043	227,580
Receivables		26,630,407	25,048,461
Cash		4,518,297	3,059,275
Current assets		51,210,952	48,298,460
Assets		51,936,871	49,085,955

Equity and liabilities

	Notes	2020 DKK	2019 DKK
Contributed capital	6	500,000	500,000
Retained earnings		4,109,065	3,398,128
Proposed dividend		3,000,000	2,682,000
Equity		7,609,065	6,580,128
Deferred tax		155,375	156,777
Provisions		155,375	156,777
Other payables		789,937	314,203
Non-current liabilities other than provisions	7	789,937	314,203
Bank loans		69,044	578,520
Trade payables		621,146	457,634
Income tax payable		892,050	651,164
Other payables	8	41,800,254	40,347,529
Current liabilities other than provisions		43,382,494	42,034,847
Liabilities other than provisions		44,172,431	42,349,050
Equity and liabilities		51,936,871	49,085,955
Contingent liabilities	9		

Statement of changes in equity for 2020

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	500,000	3,398,128	2,682,000	6,580,128
Ordinary dividend paid	0	0	(2,682,000)	(2,682,000)
Profit/loss for the year	0	710,937	3,000,000	3,710,937
Equity end of year	500,000	4,109,065	3,000,000	7,609,065

Notes

1 Staff costs

	2020	2019
	DKK	DKK
Wages and salaries	8,642,858	7,885,167
Pension costs	1,277,554	1,312,131
Other social security costs	100,982	86,635
Other staff costs	262,482	365,305
	10,283,876	9,649,238
Average number of full-time employees	15	15

	Remuneration of management 2020 DKK
Executive Board	1,916,966
Board of Directors	232,139
	2,149,105

2 Tax on profit/loss for the year

	2020	2019
	DKK	DKK
Current tax	1,056,050	867,164
Change in deferred tax	(1,402)	44,740
	1,054,648	911,904

3 Intangible assets

	Completed development projects DKK
Cost beginning of year	1,185,542
Additions	149,000
Cost end of year	1,334,542
Amortisation and impairment losses beginning of year	(696,901)
Amortisation for the year	(177,730)
Amortisation and impairment losses end of year	(874,631)
Carrying amount end of year	459,911

4 Development projects

Development projects comprises costs for IT projects to improve the ERP system. Development projects has a depreciation period of 5 years, which is based on the estimated useful live.

5 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	3,132,412	20,080
Additions	54,495	0
Cost end of year	3,186,907	20,080
Depreciation and impairment losses beginning of year	(2,835,733)	(17,905)
Depreciation for the year	(85,333)	(2,008)
Depreciation and impairment losses end of year	(2,921,066)	(19,913)
Carrying amount end of year	265,841	167

6 Share capital

	Number	Par value DKK	Nominal value DKK
A-share	500	1000	500,000
	500		500,000

7 Non-current liabilities other than provisions

	Due after more than 12 months 2020 DKK
Other payables	789,937
	789,937

8 Other payables

	2020 DKK	2019 DKK
VAT and duties	486,087	508,298
Wages and salaries, personal income taxes, social security costs, etc payable	924,204	0
Holiday pay obligation	379,910	825,755
Other costs payable	40,010,053	39,013,476
	41,800,254	40,347,529

9 Contingent liabilities

The company has assumed a lease liability which totals DKK 906k at the balance sheet date. The lease contract are non-terminable for a period of up to 35 months.

The company has signed a rental contract which is non-terminable for a period of 6 months. The annual rent is DKK 985k.

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 one 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.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods, 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 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 write-downs 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. Repayments from public authorities are included in staff costs.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets 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 intangible assets as well as equipment.

Other financial income

Other financial income comprises dividends etc. received on other investments, interest income, including interest income on 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 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.

Balance sheet**Intellectual property rights etc**

Intellectual property rights etc comprise development projects completed and acquired intellectual property rights.

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.

Completed development projects are amortised on a straight-line basis using the estimated useful lives of the assets. The amortisation period is 5 years. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. Development projects are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Equipment are measured at cost less accumulated depreciation and impairment losses.

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.

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:

Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	10 years

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 consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

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.

Dividend

The 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 tax-based value of assets and liabilities, for which the tax-based value of assets 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.

Other financial liabilities

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

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.