

WATSON-MARLOW FLEXICON A/S
FREJASVEJ 2-6, 4100 RINGSTED
ANNUAL REPORT
1 JANUARY - 31 DECEMBER 2017

**The Annual Report has been presented and
adopted at the Company's Annual General
Meeting on 14 May 2018**

Lars Petersen

The English part of this document is an unofficial translation of the original Danish text, and in case of any discrepancy between the Danish text and the English translation, the Danish text shall prevail.

CVR NO. 10 13 93 84

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COMPANY DETAILS

Company	Watson-Marlow Flexicon A/S Frejasvej 2-6 4100 Ringsted CVR no.: 10 13 93 84 Established: 1 January 1986 Registered Office: Ringsted Financial Year: 1 January - 31 December
Board of Directors	James Lawrence Whalen IV, Chairman Christopher Andrew Magor Susan Mary Godzicz
Board of Executives	Benny Ole Smith
Auditor	Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6 2300 Copenhagen S

STATEMENT BY BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

Today the Board of Directors and Board of Executives have discussed and approved the Annual Report of Watson-Marlow Flexicon A/S for the financial year 1 January - 31 December 2017.

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 the Company's financial position at 31 December 2017 and of the results of the the Company's operations and cash flows for the financial year 1 January - 31 December 2017.

The Management's Review includes in our opinion a fair presentation of the matters dealt with in the review.

We recommend the Annual Report be approved at the Annual General Meeting.

Ringsted, 31 January 2018

Board of Executives

Benny Ole Smith

Board of Directors

James Lawrence Whalen IV
Chairman

Christopher Andrew Magor

Susan Mary Godzicz

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Watson-Marlow Flexicon A/S

Opinion

We have audited the Financial Statements of Watson-Marlow Flexicon A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity, cash flows, notes and 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 assets, liabilities and financial position of the Company at 31 December 2017 and of the results of the Company operations and cash flows for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for 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 Responsibility 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibility for 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 judgment and maintain professional skepticism 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 Company's internal control.

INDEPENDENT AUDITOR'S REPORT

- 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 Company'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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, 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 Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, 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 Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management's Review 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 Management's Review.

Copenhagen, 31 January 2018

Deloitte Statsautoriseret Revisionspartnerselskab
CVR-nr. 33 96 35 56

Jens Sejer Pedersen
State Authorised Public Accountant
MNE-nr. 14986

FINANCIAL HIGHLIGHTS

	2017	2016	2015	2014	2013
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Income statement					
Gross profit/loss.....	55.698	50.937	35.532	36.818	32.622
Operating profit/loss.....	31.240	30.319	16.282	18.695	12.659
Financial income and expenses, net.....	-69	-92	-8	-34	236
Profit/loss for the year.....	24.300	23.570	12.423	14.082	9.700
Balance sheet					
Balance sheet total.....	49.609	51.444	36.318	37.424	34.484
Equity.....	37.553	37.254	25.685	27.261	24.179
Cash flows					
Investment in tangible fixed assets.....	-836	-644	-641	-1.302	-601

MANAGEMENT'S REVIEW

Principal activities

As in prior years, the Company's primary activities consist of design, production and sale of filling and encapsulation machines.

Development in activities and financial position

The Gross Profit for the financial year amounts to DKK ('000) 55,698 against DKK ('000) 50,937 in the previous year, corresponding to an increase of 9.3%. Profit before Tax amounts to DKK ('000) 31,171 against DKK ('000) 30,227 last year.

The Company's growth has continued during the financial year especially due to an increase in export through the Group's sales channels. The average staff number has increased by 4 FTE during the year in order to adjust the organization to the increased volume and prepare for further growth.

The Management considers the Profit for the year satisfactory.

Profit/loss for the year compared to future expectations

As the Company prepared its annual report for 2016 in accordance to the provisions of the Danish Financial Statements Act for enterprises in reporting class B, the Company did not prepare or disclose detailed expectations for 2017. As a result, it has not been possible to compare the actual profit/loss to expectations.

Significant events after the end of the financial year

No events have occurred after the end of the financial year of material importance for the Company's financial position.

Special risks

Operating risks

The Company's most significant operating risks are related to the ability to maintain a strong position on its key markets and to be on the forefront of the technological development within the Company's main products.

Financial risks

The Company is through its operations, investments and financing only to a certain extent exposed to changes in foreign exchange rates and changes in the market rate of interest.

Foreign exchanges risks

The Company's revenue is almost entirely in DKK or EUR which significantly reduces its exchange risks. However, a part of the cost of goods is in GBP and USD so the Company is exposed to significant changes in these currencies.

Environmental situation

The Company is certified according to ISO 9001:2008 and ISO 14001. The Company is working determinedly to improve the environmental effort. This is done within the framework of the Spirax-Sarco Group's overall targets.

Knowledge resources

The Company has always worked actively to attract and retain well-qualified manpower at all levels of the organization. As part of these efforts, the qualifications of the employees are continuously upgraded through both in-house and external training.

Future expectations

The Company expects no significant changes to volume in 2018 but a slightly lower Profit for the year due to full year effect of the additional headcounts in 2017.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2017 DKK '000	2016 DKK '000
GROSS PROFIT	1	55.698	50.937
Distribution costs.....	1	-11.470	-10.488
Administrative expenses.....	1	-12.988	-10.130
OPERATING PROFIT		31.240	30.319
Financial expenses.....		-69	-92
PROFIT BEFORE TAX		31.171	30.227
Tax on profit/loss for the year.....	2	-6.871	-6.657
PROFIT FOR THE YEAR	3	24.300	23.570

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2017 DKK '000	2016 DKK '000
Intangible fixed assets acquired.....		69	0
Goodwill.....		568	743
Intangible fixed assets.....	4	637	743
Production plant and machinery.....		0	604
Other plant, machinery, tools and equipment.....		637	119
Leasehold improvements.....		1.011	879
Tangible fixed assets.....	5	1.648	1.602
Rent deposit and other receivables.....		438	438
Fixed asset investments.....	6	438	438
FIXED ASSETS.....		2.723	2.783
Raw materials and consumables.....		13.279	15.798
Work in progress.....		2.086	763
Finished goods and goods for resale.....		1.795	968
Inventories.....		17.160	17.529
Trade receivables.....		3.825	4.158
Contract work in progress.....		2.136	0
Receivables from group enterprises.....		5.975	10.127
Other receivables.....		516	1.172
Corporation tax receivable.....		395	0
Prepayments and accrued income.....	7	623	185
Receivables.....		13.470	15.642
Cash and cash equivalents.....		16.256	15.490
CURRENT ASSETS.....		46.886	48.661
ASSETS.....		49.609	51.444

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2017 DKK '000	2016 DKK '000
Share capital.....	8	1.200	1.200
Retained profit.....		12.353	12.054
Proposed dividend.....		24.000	24.000
EQUITY.....		37.553	37.254
Provision for deferred tax.....	9	322	122
Other provisions for liabilities.....	10	853	931
PROVISION FOR LIABILITIES.....		1.175	1.053
Contract work in progress.....		398	4.482
Prepayments received from customers.....		38	0
Trade payables.....		3.944	3.307
Payables to group enterprises.....		1.306	424
Corporation tax.....		0	609
Other liabilities.....		5.195	4.315
Current liabilities.....		10.881	13.137
LIABILITIES.....		10.881	13.137
EQUITY AND LIABILITIES.....		49.609	51.444
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EQUITY

	Share capital	Retained profit	Proposed dividend	Total
Equity at 1 January 2017.....	1.200	12.053	24.000	37.253
Dividend paid			-24.000	-24.000
Proposed distribution of profit.....		300	24.000	24.300
Equity at 31 December 2017	1.200	12.353	24.000	37.553

CASH FLOW STATEMENT 1 JANUARY - 31 DECEMBER

	2017	2016
	DKK '000	DKK '000
Profit/loss for the year.....	24.300	23.570
Reversed depreciation of the year.....	893	1.145
Adjustment of other financial income.....	69	92
Reversed tax on profit/loss for the year.....	6.871	6.657
Corporation tax paid.....	-7.673	-6.440
Change in inventory.....	369	-6.508
Change in receivables (ex tax).....	2.566	-3.276
Change in current liabilities (ex bank and tax).....	-1.647	3.042
Other cash flows from operating activities.....	-78	-1
CASH FLOWS FROM OPERATING ACTIVITY.....	25.670	18.281
Purchase of intangible fixed assets.....	-75	0
Purchase of tangible fixed assets.....	-760	-347
CASH FLOWS FROM INVESTING ACTIVITY.....	-835	-347
Dividend paid in the financial year.....	-24.000	-12.000
Other cash flows from financing activities.....	-69	-92
CASH FLOWS FROM FINANCING ACTIVITY.....	-24.069	-12.092
CHANGE IN CASH AND CASH EQUIVALENTS.....	766	5.842
Cash and cash equivalents at 1 January.....	15.490	9.648
CASH AND CASH EQUIVALENTS AT 31 DECEMBER.....	16.256	15.490
Specification of cash and cash equivalents at 31 December:		
Cash and cash equivalents.....	16.256	15.490
CASH AND CASH EQUIVALENTS, NET DEBT.....	16.256	15.490

NOTES

	2017	2016	Note
	DKK '000	DKK '000	
Staff costs			1
Average number of employees 49 (2016: 45)			
Wages and salaries.....	26.133	24.654	
Pensions.....	4.051	3.467	
Social security costs.....	386	333	
	30.570	28.454	
<p>The remuneration of the Board of Executives is, in accordance with section 98 b(3) of the Danish Financial Statements Act, not disclosed, as the Board of Executives consists of only one member. No remuneration has been paid to the Board of Directors.</p>			
	2017	2016	
	DKK '000	DKK '000	
Tax on profit/loss for the year			2
Calculated tax on taxable income of the year.....	6.655	6.711	
Adjustment of tax for previous years.....	16	0	
Adjustment of deferred tax.....	200	-54	
	6.871	6.657	
Proposed distribution of profit			3
Proposed dividend for the year.....	24.000	24.000	
Accumulated profit.....	300	-430	
	24.300	23.570	
Intangible fixed assets			4
	Intangible fixed assets acquired	Goodwill	
Cost at 1 January 2017.....	0	4.845	
Additions.....	75	0	
Cost at 31 December 2017.....	75	4.845	
Amortisation at 1 January 2017.....	0	4.102	
Depreciation for the year.....	6	175	
Depreciation at 31 December 2017.....	6	4.277	
Carrying amount at 31 December 2017.....	69	568	

NOTES

				Note
Tangible fixed assets				5
	Production plant and machinery	Other plant, machinery, tools and equipment	Leasehold improvements	
Cost at 1 January 2017.....	3.644	359	2.462	
Transferred.....	-3.644	3.644	0	
Additions.....	0	268	492	
Disposals.....	0	-313	0	
Cost at 31 December 2017.....	0	3.958	2.954	
Depreciation and impairment losses at 1 January 2017.....	3.041	240	1.583	
Transferred.....	-3.041	3.041	0	
Reversal of depreciation of assets disposed of..	0	-313	0	
Depreciation for the year.....	0	353	360	
Depreciation and impairment losses at 31 December 2017.....	0	3.321	1.943	
Carrying amount at 31 December 2017.....	0	637	1.011	
Fixed asset investments			Rent deposit and other receivables	6
Cost at 1 January 2017.....			438	
Cost at 31 December 2017.....			438	
Carrying amount at 31 December 2017.....			438	
		2017 DKK '000	2016 DKK '000	
Prepayments and accrued income				7
Prepaid expenses.....		623	185	
		623	185	
Share capital				8
Specification of the share capital:				
Shares, 1.200 in the denomination of 1.000 DKK.....		1.200	1.200	
		1.200	1.200	

NOTES

	2017 DKK '000	2016 DKK '000	Note
Provision for deferred tax			9
Provision for deferred tax comprises deferred tax on contract work in progress, inventory and intangible and tangible fixed assets.			
Deferred tax, 1 January.....	122	0	
Deferred tax for the year through profit/loss statement.....	200	122	
Provision for deferred tax 31 December 2017.....	322	122	
Other provisions for liabilities			10
Provisions expected to mature within one year.....	853	931	
Other provisions for liabilities includes warranty provisions etc.			
Contingencies etc.			11
Rental commitments			
The Company has entered into a lease agreement until December 2018. The nominal commitment for the remaining term of the lease amounts to approximately DKK ('000) 1,339.			
Operating lease commitments			
The Company has entered into operating leases with remaining terms of up to 60 months. The residual lease payments amounts to DKK ('000) 2,116 (2016: DKK ('000) 2,145).			
Contingent liabilities			
Joint liabilities			
The Company participates in a Danish joint taxation arrangement with the other Danish branch of the Spirax-Sarco Engineering Plc Group. According to the joint taxation provisions of the Danish Corporate Tax Act, the Company, as the administrative company, is therefore liable from the financial year 2013 for income taxes etc. for the jointly taxed companies and from 01.07.2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.			

NOTES

Note

Related parties

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The Controlling interest of Watson-Marlow Flexicon A/S includes:

Controlling interest

Related parties with a controlling interest comprise Spirax-Sarco Investments Ltd., Charlton House, Cheltenham, Gloucestershire, GL53 8ER, United Kingdom.

Related parties with a significant influence comprise Spirax-Sarco Engineering BV., Charlton House, Cheltenham, Gloucestershire, GL53 8ER, United Kingdom.

Other related parties having performed transactions with the company

The company's related parties having a significant influence comprise subsidiaries and associates as well as the companies' Board of Directors, Board of Executives and executive officers and their relatives. Related parties include also companies in which the above mentioned group of persons has material interests.

Transactions with related parties

The company did not carry out any substantial transactions that were not concluded on market conditions.

Consolidated financial statements

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

Spirax-Sarco Engineering Plc, Charlton House, Cheltenham, Gloucestershire, GL53 8ER, United Kingdom, www.spiraxsarcoengineering.com.

ACCOUNTING POLICIES

The annual report of Watson-Marlow Flexicon A/S for 2017 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, medium enterprise.

Change in accounting policies

The accounting policies have been changed in the following areas as a consequence of the company's changeover from reporting class B to reporting class C.

As the implementation has no impact in terms of value on the income statement or the balance sheet in the financial year, nor on the comparative figures, the financial statements have been prepared based on the same accounting policies as last year.

The implementation has solely implied new or changed presentation and disclosure requirements, which have been incorporated in the financial statements.

Except for the above areas, the accounting policies are consistent with the policies applied last year.

INCOME STATEMENT

Net revenue

Net revenue from sale of merchandise and finished goods is recognised in the Income Statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

Production costs

Production costs comprise costs, including wages and salaries and write-off, incurred to achieve the net revenue for the year. Commercial enterprises recognise cost of sales, and the manufacturing enterprises recognise production costs equal to the revenue for the year, including direct and indirect costs of raw materials and consumables, wages and salaries, rent and leasing and depreciation of production plant.

Amortisation of capitalised development and research costs and the development costs that do not fulfil the criteria for capitalisation are also recognised in production costs.

Write-down is recognised in connection with expected losses on project contracts.

Distribution costs

The costs incurred for distribution of goods sold during the year and for sales campaigns carried out during the year are recognised in distribution costs. The costs of the sales personnel, advertising and exhibition costs and amortisation are also recognised in distribution costs.

Administrative expenses

Administrative expenses recognise costs incurred during the year regarding management and administration of the group, inclusive of costs relating to the administrative staff, executives, office premises, office expenses etc and related amortisation.

Other operating leases

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

Financial income and expenses in general

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

ACCOUNTING POLICIES

Tax on profit for the year

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

BALANCE SHEET

Intangible fixed assets

Acquired goodwill is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over the expected useful life which is estimated to 10 years. The period of amortisation is determined based on an assessment of the acquired company's position in the market and earnings profile, and the industry-specific conditions.

Tangible fixed assets

Production plant and machinery, other plants, fixtures and equipment are measured at cost less accumulated depreciation and write-down.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used. As regards self-manufactured assets, the cost price includes cost of materials, components, subcontractors, direct payroll and indirect production costs.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life
Production plant and machinery.....	2-8 years
Other plants, fixtures and equipment.....	3-5 years
Leasehold improvements.....	5 years

Estimated useful lives and residual values are reassessed annually.

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Fixed asset investments

Deposits include rental deposits which are recognised and measured at amortised cost. Deposits are not depreciated.

Impairment of fixed assets

The carrying amount of intangible and tangible fixed assets together with investments, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the net realisable value is lower than the carrying amount, write-down is provided to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

ACCOUNTING POLICIES

Inventories

Inventories are measured at cost using the FIFO-principle. If the net realisable value is lower than cost, write-down is provided to the lower value.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The cost of finished goods and work in progress includes cost of raw materials, consumables, direct payroll cost and indirect production cost. Indirect production costs include indirect materials and payroll and maintenance and depreciation of the machines, factory buildings and equipment used in the production process, cost of factory administration and management and capitalised development costs relating to the products.

The net realisable value of inventories is stated at sales price less completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price.

Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is reduced by write-down to meet expected losses.

Contract work in progress

Work in progress on contract is measured at the cost value of the work performed.

The specific piece of work in progress is recognised in the balance sheet as receivables or payables, depending on the net value of cost less progress invoicing and progress payments.

Accruals, assets

Accruals recognised as assets include costs incurred relating to the subsequent financial year.

Other provisions for liabilities

Other provisions for liabilities include the expected cost of warranty commitments and deferred tax.

Warranty commitments include liabilities for improvement of work within the warranty period. The provision for liabilities is measured and recognised on the basis of experience with warranty work.

When it is likely that the total costs will exceed the total income on the contract work in progress, a provision is made for the total loss that is anticipated for the contract. The provision is recognised as a cost under production costs.

ACCOUNTING POLICIES

Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

The Company is subject to joint taxation with Danish group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the on account tax scheme. Joint taxation contributions receivable and payable are recognised in the Balance Sheet under current assets and liabilities, respectively.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date would be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Liabilities

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

Foreign currency translation

Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the income statement as a financial income or expense.

Receivables, payables and other monetary items in foreign currencies that are not settled on the balance sheet date are translated at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the exchange rate at the time of occurrence of the receivables or payables is recognised in the income statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.

ACCOUNTING POLICIES

CASH FLOW STATEMENT

The cash flow statement shows the company's cash flows for the year for operating activities, investing activities and financing activities in the year, the change in cash and cash equivalents of the year and cash and cash equivalents at beginning and end of the year.

Cash flows from operating activities:

Cash flows from operating activities are computed as the results for the year adjusted for non-cash operating items, changes in net working capital and corporation tax paid.

Cash flows from investing activities:

Cash flows from investing activities include payments in connection with purchase and sale of intangible and tangible fixed asset and fixed asset investments.

Cash flows from financing activities:

Cash flows from financing activities include changes in the size or composition of share capital and related costs, and borrowings and repayment of interest-bearing debt and payment of dividend to shareholders.

Cash and cash equivalents:

Cash and cash equivalents include bank overdraft and cash in hand.