WATSON-MARLOW FLEXICON A/S

FREJASVEJ 2-6, 4100 RINGSTED

ANNUAL REPORT

1 JANUARY - 31 DECEMBER 2016

The Annual Report has been presented and adopted at the Company's Annual General Meeting on 4 May 2017

Lars Petersen

CVR NO. 10 13 93 84

CONTENTS

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 year 1 January - 31 December 2016.

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 Company's financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016.

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, 24 February 2017

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 2016, which comprise the income statement, balance sheet, 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 Entity's financial position at 31 December 2016 and of the results of its operations for the financial year 1 January - 31 December 2016 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 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 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.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibility 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 exits. 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.

INDEPENDENT AUDITOR'S REPORT

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the financial statements does not cover the 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 the management's review and, in doing so, consider whether the management's review 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's review provides the information required under the Danish Financial statements Act.

Based on the work we have performed, we conclude that the 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 the management's review.

Copenhagen, 24 February 2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33 96 35 56

Jens Rudkjær
State Authorised Public Accountant

MANAGEMENT'S REVIEW

Principal activities

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

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.

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.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2016 DKK '000	2015 DKK '000
GROSS PROFIT	1	**50.937**	**35.532**
Distribution costs	1	-10.488	-11.225
Administrative expenses	1	-10.130	-8.025
OPERATING PROFIT		**30.319**	**16.282**
Financial income		0	34
Financial expenses		-92	-42
PROFIT BEFORE TAX		**30.227**	**16.274**
Tax on profit/loss for the year	2	-6.657	-3.851
PROFIT FOR THE YEAR		**23.570**	**12.423**

PROPOSED DISTRIBUTION OF PROFIT

Proposed dividend for the year		24.000	12.000
Accumulated profit		-430	423
TOTAL		**23.570**	**12.423**

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2016 DKK '000	2015 DKK '000
Goodwill		743	1.208
Intangible fixed assets	3	**743**	**1.208**
Production plant and machinery		604	636
Other plant, machinery, tools and equipment		119	151
Leasehold improvements		879	851
Tangible fixed assets	4	**1.602**	**1.638**
Rent deposit and other receivables		438	438
Fixed asset investments	5	**438**	**438**
FIXED ASSETS		**2.783**	**3.284**
Raw materials and consumables		15.798	8.112
Work in progress		763	351
Finished goods and goods for resale		968	2.557
Inventories		**17.529**	**11.020**
Trade receivables		4.158	6.828
Contract work in progress		0	324
Receivables from group enterprises		10.127	4.969
Other receivables		1.172	1
Prepayments and accrued income		185	244
Receivables		**15.642**	**12.366**
Cash and cash equivalents		**15.490**	**9.648**
CURRENT ASSETS		**48.661**	**33.034**
ASSETS		**51.444**	**36.318**

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2016 DKK '000	2015 DKK '000
Share capital		1.200	1.200
Retained profit		12.054	12.485
Proposed dividend		24.000	12.000
EQUITY	6	**37.254**	**25.685**
Provision for deferred tax		122	176
Other provisions for liabilities	7	931	814
PROVISION FOR LIABILITIES		**1.053**	**990**
Contract work in progress		4.482	2.858
Prepayments received from customers		0	51
Trade payables		3.307	1.714
Payables to group enterprises		424	138
Corporation tax		609	40
Other liabilities		4.315	4.842
Current liabilities		**13.137**	**9.643**
LIABILITIES		**13.137**	**9.643**
EQUITY AND LIABILITIES		**51.444**	**36.318**

Contingencies etc.	8
Consolidated financial statements	9
Staff costs	1

NOTES

Note

Staff costs 1

Average number of employees
48 (2015: 42)

	2016 DKK '000	2015 DKK '000	
Tax on profit/loss for the year			2
Calculated tax on taxable income of the year	6.711	3.922	
Adjustment of tax for previous years	0	14	
Adjustment of deferred tax	-54	-85	
	6.657	**3.851**	

Intangible fixed assets 3

	Goodwill
Cost at 1 January 2016	4.845
Cost at 31 December 2016	**4.845**
Amortisation at 1 January 2016	3.638
Depreciation for the year	464
Depreciation at 31 December 2016	**4.102**
Carrying amount at 31 December 2016	**743**

Tangible fixed assets 4

	Production plant and machinery	Other plant, machinery, tools and equipment	Leasehold improvements
Cost at 1 January 2016	3.644	858	2.165
Additions	0	347	297
Disposals	0	-846	0
Cost at 31 December 2016	**3.644**	**359**	**2.462**
Depreciation and write-down at 1 January 2016	3.007	706	1.315
Reversal of depreciation of assets disposed of	0	-846	0
Depreciation for the year	33	380	268
Depreciation and write-down at 31 December 2016	**3.040**	**240**	**1.583**
Carrying amount at 31 December 2016	**604**	**119**	**879**

NOTES

	Note
Fixed asset investments	**5**

	Rent deposit and other receivables
Cost at 1 January 2016	438
Cost at 31 December 2016	**438**
Carrying amount at 31 December 2016	**438**

Equity				**6**

	Share capital	Retained profit	Proposed dividend	Total
Equity at 1 January 2016	1.200	12.484	12.000	25.684
Dividend paid			-12.000	-12.000
Proposed distribution of profit		-430	24.000	23.570
Equity at 31 December 2016	**1.200**	**12.054**	**24.000**	**37.254**

Other provisions for liabilities			**7**
Provisions expected to mature within one year	931	814	

Contingencies etc. **8**

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 2,678.

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) 2,145 (2015: DKK ('000) 1,116).

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.

Consolidated financial statements **9**

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 2016 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class B.

The Annual Report is prepared consistently with the accounting principles used 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.

Where products with a high degree of individual adjustments are delivered, recognition in net revenue is made as and when the production progresses, the net revenue being equal to the sales value of the work performed for the year (the production method). This method is applied when the total costs and expenses regarding the contract and the degree of completion at the balance sheet date can be reliably assessed, and it is likely that the financial benefits will flow to the company.

When the result of contract work cannot be assessed reliably, revenue is only recognised corresponding to related costs to the extent that it is likely that they will be recovered.

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 sales value of the work performed. The sales value is measured on the basis of the degree of completion on the balance sheet date and the total anticipated revenue related to the specific piece of work in progress.

The specific piece of work in progress is recognised in the balance sheet as receivables or payables, depending on the net value of the selling price 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.