

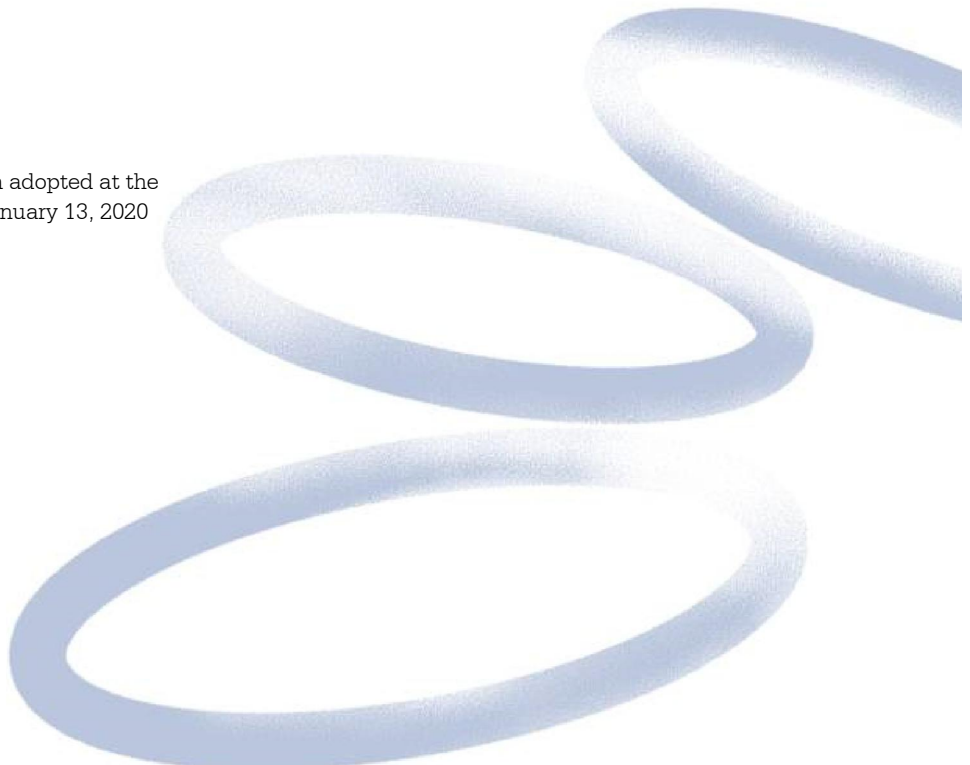
# **M Seals A/S**

Bybjergvej 13, 3060 Espergærde  
CVR no. 10 60 11 34

## **Annual report for the financial year 01.10.18 – 10.09.19**

The annual report has been adopted at the  
annual general meeting, January 13, 2020

Thomas Baag Petersen  
Chairman of the meeting



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Company information etc.	3
Statement by the Executive Board and Board of Directors on the annual report	4
Independent auditor's report	5 - 7
Management's review	8 - 11
Income statement	12
Balance sheet	13 - 14
Statement of changes in equity	15
Notes	16 - 27

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**The Company**

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M Seals A/S  
Bybjergvej 13  
3060 Espergærde

Registered office: Helsingør  
CVR no.: 10 60 11 34  
Founded: December 30, 1986  
Financial year: 01.10 - 30.09

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**Executive Board**

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Thomas Baag Petersen

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**Board of Directors**

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Nigel Peter Lingwood  
Thomas Baag Petersen  
Jette Stade

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**Auditors**

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PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab

## **Statement by the Executive Board and Board of Directors on the annual report**

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We have on this day presented the annual report for the financial year October 1, 2018 - September 30, 2019 for M Seals A/S.

The annual report is presented in accordance with Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position as at September 30, 2019 and of the results of the Company's activities for the financial year October 1, 2018 - September 30, 2019.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Espergærde, December 13, 2019

### **Executive Board**

Thomas Baag Petersen

### **Board of Directors**

Nigel Peter Lingwood

Thomas Baag Petersen

Jette Stade

**To the Shareholder of M Seals A/S**

**Opinion**

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at September 30, 2019 and of the results of the Company's operations for the financial year October 1, 2018 - September 30, 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of M Seals A/S for the financial year October 1, 2018 - September 30, 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("Financial Statements").

**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.

**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, in our view, 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 in Management's Review.

**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 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 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 Company'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 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.

Copenhagen, December 13, 2019

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab  
CVR no. 33771231

Jan Wright  
State Authorized Public Accountant  
mne10053

Thomas Lillemose Lauritsen  
State Authorized Public Accountant  
mne34342

**FINANCIAL HIGHLIGHTS****Key figures**

Figures in DKK '000

	2018/19	2017/18	2016/17	2015/16	2014/15
<i>Profit/loss</i>					
Gross profit	38,541	38,013	36,118	35,484	30,558
Index	126	124	118	116	100
Operating profit	17,547	18,351	17,606	17,103	13,413
Index	131	137	131	128	100
Total net financials	9,861	8,255	5,342	5,959	4,860
Index	203	170	110	123	100
Profit for the year	23,480	22,515	19,026	19,310	15,086
Index	156	149	126	128	100

*Balance*

Total assets	80,917	72,810	58,281	45,684	60,047
Index	135	121	97	76	100
Investments in property, plant and equipment	255	222	951	187	0
Index	-	-	-	-	100
Equity	57,299	47,719	35,704	25,178	39,968
Index	143	119	89	63	100

**Ratios**

	2018/19	2017/18	2016/17	2015/16	2014/15
<i>Profitability</i>					
Return on equity	44,7%	54,0%	62,5%	59,3%	41,8%
<i>Equity ratio</i>					
Equity interest	70,8%	65,5%	61,3%	55,1%	66,6%



*Ratios definitions*

Return on equity: 
$$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$$

Equity interest: 
$$\frac{\text{Equity, end of year} \times 100}{\text{Total assets}}$$

### **Primary activities**

The main activity has as in previous years, consisted of trade with sealing and seal components.

### **Development in activities and financial affairs**

The year has been challenging across the group. The Danish operation had a strong first half year but lost momentum in the second half which result in a flat development vs prior year for the complete financial year. The Swedish operation (M Seals AB) had a very weak first half year with difficult trading environment, but they recovered nicely in the second half year and ended with solid growth for the complete financial year.

Consequently, the company has realised less organic growth than expected. However, given the challenging market conditions, the growth is considered satisfactory.

### **Outlook**

It is expected that the more difficult trading environment will continue through the coming financial year, but the company will continue to focus on new customers and projects. We expect a growth of 1-3 %.

### **Employees**

With the continued focus of developing our QA department we have strengthened the department with one more employee during 2018/2019. The demand from the market to follow new regulation, blacklist of substance etc. is getting larger and larger and it is a key that we have resources, so we can act according to these regulations. M Seals also keep investing in getting new approvals for both old and new compounds to be able to follow the increase demand from the market.

### **Special risks**

#### *Operating risks*

Due to the up-coming Brexit and the on-going trade war between USA and China, there is a risk of less good trading environment resulting in declining sales, however, the risk is considered to be low due to the Company's split in customer segment as well as in the large geographical spread of M Seals customers.

#### *Financial risks*

Sales to and from foreign countries imply that earnings, cash flows and equity are affected by the exchange rate changes in USD, EUR and SEK, respectively. There are no forward

exchange contracts or speculative foreign exchange positions. M Seals strives to decrease the credit risk on receivables by performing credit rating checks of customers before sale.

**External environment**

M Seals ensures continuously to remain a social and environmentally responsible company, not only internally but also by selecting suppliers with a strong focus on the environment. This has been proven by obtaining the ISO14000 certification in the financial year 2017/18.

**Subsequent events**

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

## Income statement

Note		2018/19 DKK	2017/18 DKK
	<b>Gross profit</b>	<b>38,540,809</b>	<b>38,012,736</b>
1	Staff costs	-20,518,646	-19,205,949
	Depreciation and impairments losses of property, plant and equipment	-475,295	-455,451
	<b>Operating profit</b>	<b>17,546,868</b>	<b>18,351,336</b>
	Income from investments in group enterprises	9,600,586	8,071,277
2	Financial income	318,980	278,132
3	Financial expenses	-58,765	-94,861
	<b>Profit before tax</b>	<b>27,407,669</b>	<b>26,605,884</b>
4	Tax on profit or loss for the year	-3,927,597	-4,090,840
	<b>Profit for the year</b>	<b>23,480,072</b>	<b>22,515,044</b>
5	Distribution of net profit		

## Balance sheet

<b>ASSETS</b>		30.09.19	30.09.18
Note		DKK	DKK
	Plant and machinery	853,866	977,663
	Other fixtures and fittings, tools and equipment	213,654	309,986
<b>6</b>	<b>Total property, plant and equipment</b>	<b>1,067,520</b>	<b>1,287,649</b>
7	Investments in group enterprises	81,040	81,040
8	Deposits	431,892	431,892
	<b>Total investments</b>	<b>512,932</b>	<b>512,932</b>
	<b>Total non-current assets</b>	<b>1,580,452</b>	<b>1,800,581</b>
	Manufactured goods and goods for resale	24,727,574	26,564,547
	<b>Total inventories</b>	<b>24,727,574</b>	<b>26,564,547</b>
	Trade receivables	15,659,080	18,171,492
	Receivables from group enterprises	33,371,096	22,164,293
9	Prepayments	1,058,169	965,626
	<b>Total receivables</b>	<b>50,088,345</b>	<b>41,301,411</b>
	<b>Cash</b>	<b>4,520,295</b>	<b>3,143,009</b>
	<b>Total current assets</b>	<b>79,336,214</b>	<b>71,008,967</b>
	<b>Total assets</b>	<b>80,916,666</b>	<b>72,809,548</b>

<b>EQUITY AND LIABILITIES</b>		30.09.19	30.09.18
Note		DKK	DKK
10	Share capital	750,000	750,000
	Retained earnings	42,448,850	33,068,778
	Proposed dividend for the financial year	14,100,000	13,900,000
	<b>Total equity</b>	<b>57,298,850</b>	<b>47,718,778</b>
11	Provisions for deferred tax	264,792	281,377
	<b>Total provisions</b>	<b>264,792</b>	<b>281,377</b>
	Trade payables	9,115,347	11,850,224
	Payables to group enterprises	7,613,366	6,094,438
	Income taxes	3,027,182	3,262,264
	Other payables	3,597,129	3,602,467
	<b>Total short-term payables</b>	<b>23,353,024</b>	<b>24,809,393</b>
	<b>Total payables</b>	<b>23,353,024</b>	<b>24,809,393</b>
	<b>Total equity and liabilities</b>	<b>80,916,666</b>	<b>72,809,548</b>
12	Contingent liabilities		
13	Related parties		

## Statement of changes in equity

Figures in DKK	Share capital	Share premium	Retained earnings	Proposed dividend for the financial year	Total equity
Balance as at 01.10.17	500,000	0	24,703,734	10,500,000	35,703,734
Capital increase	250,000	24,750,000	0	0	25,000,000
Extraordinary dividend paid	0	0	-25,000,000	0	-25,000,000
Dividend paid	0	0	0	-10,500,000	-10,500,000
Transfers to/from other reserves	0	-24,750,000	24,750,000	0	0
Net profit/loss for the year	0	0	8,615,044	13,900,000	22,515,044
Balance as at 30.09.18	750,000	0	33,068,778	13,900,000	47,718,778
Balance as at 01.10.18	750,000	0	33,068,778	13,900,000	47,718,778
Dividend paid	0	0	0	-13,900,000	-13,900,000
Net profit/loss for the year	0	0	9,380,072	14,100,000	23,480,072
Balance as at 30.09.19	750,000	0	42,448,850	14,100,000	57,298,850

	2018/19 DKK	2017/18 DKK
<b>1. Staff costs</b>		
Wages and salaries	17,557,110	16,535,595
Pensions	2,677,691	2,437,276
Other social security costs	283,845	233,078
<b>Total</b>	<b>20,518,646</b>	<b>19,205,949</b>
Average number of employees during the year	35	35

With reference to section 98B(3) of the Danish Financial Statement Act, the fee for the Management has not been disclosed.

## 2. Financial income

Interest, group enterprises	243,522	142,662
Other financial income	75,458	135,470
<b>Total</b>	<b>318,980</b>	<b>278,132</b>

## 3. Financial expenses

Interest, group enterprises	53,614	55,970
Other financial expenses total	5,151	38,891
<b>Total</b>	<b>58,765</b>	<b>94,861</b>



	2018/19 DKK	2017/18 DKK
<b>4. Tax on profit or loss for the year</b>		
Tax on profit or loss for the year	3,944,182	4,103,264
Adjustment of deferred tax for the year	-16,585	-12,424
<b>Total</b>	<b>3,927,597</b>	<b>4,090,840</b>

**5. Distribution of net profit**

Extraordinary dividend for the financial year	0	25,000,000
Proposed dividend for the financial year	14,100,000	13,900,000
Retained earnings	9,380,072	-16,384,956
<b>Total</b>	<b>23,480,072</b>	<b>22,515,044</b>

**6. Property, plant and equipment**

Figures in DKK	Leasehold improvements	Plant and machinery	Other fixtures and fittings, tools and equipment
Cost as at 01.10.18	301,445	3,590,629	4,377,738
Additions during the year	0	108,040	147,127
<b>Cost as at 30.09.19</b>	<b>301,445</b>	<b>3,698,669</b>	<b>4,524,865</b>
Depreciation and impairment losses as at 01.10.18	-301,445	-2,612,967	-4,067,752
Depreciation during the year	0	-231,836	-243,459
<b>Depreciation and impairment losses as at 30.09.19</b>	<b>-301,445</b>	<b>-2,844,803</b>	<b>-4,311,211</b>
<b>Carrying amount as at 30.09.19</b>	<b>0</b>	<b>853,866</b>	<b>213,654</b>

**7. Investments in group enterprises**

Figures in DKK	Investments in group enterpri- ses
Cost as at 01.10.18	81,040
Cost as at 30.09.19	81,040
Carrying amount as at 30.09.19	81,040

Name and registered office:	Ownership interest	Equity DKK	Net profit/loss for the year DKK
Subsidiaries:			
M Seals AB, Sverige	100%	10,615,532	9,794,366

**8. Other non-current financial assets**

Figures in DKK	Deposits
Cost as at 01.10.18	431,892
Cost as at 30.09.19	431,892
Carrying amount as at 30.09.19	431,892

	30.09.19	30.09.18
	DKK	DKK

### 9. Prepayments

Prepaid insurance premiums	113,804	88,293
Prepaid rent	345,000	345,000
Other prepayments	599,365	532,333
<b>Total</b>	<b>1,058,169</b>	<b>965,626</b>

Prepayments comprise incurred costs relating to subsequent financial years.

### 10. Share capital

The share capital consists of:

	Quantity	Total nominal value
Share class A	25	25,000
Share class B	225	225,000
Share class C	500	500,000
<b>Total</b>		<b>750,000</b>

The share capital has been fully paid in at the balance sheet date.

	30.09.19	30.09.18
	DKK	DKK

### 11. Deferred tax

Deferred tax as at 01.10.18	281,377	293,801
Deferred tax recognised in the income statement	-16,585	-12,424
<b>Deferred tax as at 30.09.19</b>	<b>264,792</b>	<b>281,377</b>

**12. Contingent liabilities**

The Company has concluded rent agreements with a remaining payment of kDKK 690.

The Company has concluded lease agreements with a remaining payment of kDKK 786.

**13. Related parties**

Controlling influence

Basis of influence

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Diploma PLC, England

Majority shareholder

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Related party transactions are not disclosed, as all transactions are entered into in the ordinary course of business at arms' length.

## 14. Accounting policies

### GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for medium-sized enterprises in reporting class C.

The accounting policies have been applied consistently with previous years.

In accordance with section 112 of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements. The Company is a subsidiary of Diploma PLC, which prepares consolidated financial statements.

The foreign consolidated financial statements are available at:  
<http://www.diplomapl.com>

### Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the Company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

### CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable

**14. Accounting policies** - continued -

arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

**LEASES**

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

**INCOME STATEMENT****Gross profit**

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Gross profit comprises revenue and cost of sales and other external expenses.

**Revenue**

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

**Cost of sales**

Cost of sales comprises cost of sales for the year measured at cost plus any changes in inventories, including write-downs to the extent that these do not exceed normal write-downs.

**Other external expenses**

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

**14. Accounting policies** - continued -**Staff costs**

Staff costs comprise wages and salaries as well as other staff-related costs.

**Depreciation and impairment losses**

The depreciation of property, plant and equipment aim at systematic depreciation over the expected useful lives of the assets. Assets are depreciated according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value DKK
Leasehold improvements	3 - 7	0
Plant and machinery	3 - 5	0
Other plant, fixtures and fittings, tools and equipment	3 - 7	0

The basis of depreciation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

**Income from investments in group enterprises**

Dividends from investments measured at cost are recognised as income in the financial year in which the dividend is declared.

Income from investments in subsidiaries also comprises gains and losses on the sale of investments.

**Other net financials**

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

**Tax on profit/loss for the year**

The current and deferred tax for the year is recognised in the income statement as tax on

**14. Accounting policies** - continued -

the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

**BALANCE SHEET****Property, plant and equipment**

Property, plant and equipment comprise leasehold improvements, plant and machinery as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

**Investments in group enterprises**

Investments in subsidiaries are measured in the balance sheet at cost less any impairment losses.

Gains or losses on the divestment of subsidiaries are determined as the difference between the divestment consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income statement under income from investments.

**Impairment losses on fixed assets**

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation.



**14. Accounting policies** - continued -

If the Company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

If dividends are distributed on investments in subsidiaries exceeding the year earnings from the enterprise in question, this is considered an indication of impairment.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

**Inventories**

Inventories are measured at cost on basis of measured average prices. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

**Receivables**

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered

**14. Accounting policies** - continued -

into by the Company.

**Prepayments**

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

**Cash**

Cash includes deposits in bank accounts as well as operating cash.

**Equity**

The proposed dividend for the financial year is recognised as a separate item in equity.

**Current and deferred tax**

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

**Payables**

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

**14. Accounting policies** - continued -

**CASH FLOW STATEMENT**

Referring to section 86(4) of the Danish Financial Statements Act a cash flow statement has not been prepared as the enterprise is included in the consolidated cash flow statement.