M Seals A/S

Bybjergvej 13, 3060 Espergærde

Company reg. no. 10 60 11 34

Annual report

2017/18

The annual report have been submitted and approved by the general meeting on the 7 December 2018

Thomas Baag Petersen
Chairman of the meeting

Contents

Notes:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's report

The board of directors and the managing director have today presented the annual report of M Seals A/S for the financial year 1 October 2017 to 30 September 2018.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position at 30 September 2018 and of the company's results of its activities in the financial year 1 October 2017 to 30 September 2018.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Espergærde, 7 December 2018

Managing Director

Thomas Baag Petersen
CEO

Board of directors

Nigel Peter Lingwood	Thomas Baag Petersen	Jette Stade

Independent auditor's report

To the shareholders 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 30 September 2018, and of the results of the Company operations for the financial year 1 October 2017 - 30 September 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of M Seals A/S for the financial year 1 October 2017 - 30 September 2018, 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 conclusions 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 contain material misstatement.

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 Statement Acts. 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 in 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, 7 December 2018

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Company reg. no. 33 77 12 31

Jan Wright	Thomas Lillemose Lauritsen
State Authorised Public Accountant	State Authorised Public Accountant
mne10053	mne34342

Company data

The company	M Seals A/S Bybjergvej 13 3060 Espergærde	
	Company reg. no.	10 60 11 34
	Established:	30 December 1986
	Domicile:	Helsingør
	Financial year:	1 October - 30 September
Board of directors	Nigel Peter Lingwood Thomas Baag Petersen Jette Stade	
Managing Director	Thomas Baag Petersen, CEO	
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab	
Parent company	Diploma PLC, London	
Subsidiary	M Seals AB, Sweden	

Financial highlights

DKK in thousands.	2017/18	2016/17	2015/16	2014/15	2013/14
Profit and loss account:					
Gross profit	38.013	36.118	35.484	30.558	29.068
Results from operating activities	18.351	17.606	17.103	13.413	12.000
Net financials	8.255	5.342	5.959	4.860	4.064
Results for the year	22.515	19.026	19.310	15.086	13.091
Balance sheet:					
Balance sheet sum	72.810	58.281	45.684	60.047	46.278
Investments in tangible fixed assets represent	222	951	187	0	67
Equity	47.719	35.704	25.178	39.968	32.182
Key figures in %:					
Solvency ratio	65,5	61,3	55,1	66,6	69,5
Return on equity	54,0	62,5	59,3	41,8	33,7

The calculation of key figures and ratios does in all material respects follow the Danish Association of Finance Analysts' recommendations and does only in a few respects deviate from the recommendations.

The key figures appearing from the survey have been calculated as follows:

Solvency ratio

$$\frac{\text{Equity x 100}}{\text{Total assets}}$$

Return on equity

$$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$$

The principal activities of the company

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

Development in activities and financial matters

From a management view, the year has been very strong with growth across the group and in all geographic areas. The growth has been supported by new project and good trading environment. Again, this year our Swedish operation has performed extremely well with double-digit growth. When the Swedish figures are converted into DKK the growth are still good, but less than in local currency, due to the weakness of the Swedish Krone.

The accounting policies for Investments in subsidiaries are changed from the equity method to cost price in order to align the accounting principles with the Diploma Group, and reflects how performance are measured in the Group.

The effect of the change represent a decrease in result for the year of kDKK 1.692 (2016/17: kDKK 3.006) as well as a decrease in equity as of 1 October 2017 of kDKK 9.241 (1 October 2016: kDKK 6.373).

The Annual Report has in all other areas been prepared under the same accounting policies as last year.

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. It is not company policy to hedge currency risks and no forward exchange contract is entered into or speculative foreign exchange positions. M Seals strives to decrease the credit risk on receivables. A credit rating of customers are performed before sale. Since the Company generally deals with relatively large, well-established customers, there is no major credit risk on trade receivables.

Environmental issues

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.

Know how resources

In order to be able to provide a high-level quality to the customers, it is crucial to M Seals to continuously developing the QA and inspection facility by investing in advanced equipment and in education of the employees. In the financial year 2016/17 and 2017/18 M Seals has made large investment in new inspection equipment, to follow the strategy of being able to offer the customers high level of inspection capabilities.

The expected development

It is expected that the company will continue the positive development. The organization has been strengthen over the last year to support the future growth. For the financial year 2018/19 it is expected to obtain an organic growth in the range of 5-7%. The growth are expected to come from both growth from current customers but also from the strong pipeline of new projects/customers.

Events subsequent to the financial year

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

Profit and loss account 1 October - 30 September

All amounts in DKK.

Note		2017/18	2016/17
	Gross profit	**38.012.736**	**36.118.351**
1	Staff costs	-19.205.949	-18.176.289
	Depreciation and writedown relating to tangible fixed assets	-455.451	-336.122
	Operating profit	**18.351.336**	**17.605.940**
	Income from equity investment in group enterprise	8.071.277	5.231.000
	Other financial income from group enterprises	142.662	23.633
	Other financial income	135.470	139.959
2	Other financial costs	-94.861	-53.054
	Results before tax	**26.605.884**	**22.947.478**
3	Tax on ordinary results	-4.090.840	-3.921.930
4	**Results for the year**	**22.515.044**	**19.025.548**

Balance sheet 30 September

All amounts in DKK.

Note	Assets	2018	2017
	Fixed assets		
5	Plant and machinery	977.663	959.763
6	Other fixtures and fittings, tools and equipment	309.988	561.566
	Tangible fixed assets in total	1.287.651	1.521.329
7	Equity investment in group enterprise	81.040	81.040
8	Deposits	431.892	431.892
	Financial fixed assets in total	512.932	512.932
	Fixed assets in total	**1.800.583**	**2.034.261**
	Current assets		
	Manufactured goods and trade goods	26.564.546	22.554.221
	Inventories in total	26.564.546	22.554.221
	Trade debtors	18.171.492	15.964.283
	Amounts owed by group enterprises	22.164.293	12.583.472
9	Prepayments	965.626	891.407
	Debtors in total	41.301.411	29.439.162
	Available funds	3.143.009	4.253.716
	Current assets in total	**71.008.966**	**56.247.099**
	Assets in total	**72.809.549**	**58.281.360**

Balance sheet 30 September

All amounts in DKK.

Note	Equity and liabilities	2018	2017
	Equity		
10	Share capital	750.000	500.000
	Results brought forward	33.068.778	24.703.734
	Proposed dividend for the financial year	13.900.000	10.500.000
	Equity in total	**47.718.778**	**35.703.734**
	Provisions		
11	Provisions for deferred tax	281.377	293.801
	Provisions in total	**281.377**	**293.801**
	Liabilities		
	Trade creditors	11.850.224	9.511.658
	Debt to group enterprises	6.094.438	6.242.021
	Corporate tax	3.262.264	3.096.612
	Other debts	3.602.468	3.433.534
	Short-term liabilities in total	24.809.394	22.283.825
	Liabilities in total	**24.809.394**	**22.283.825**
	Equity and liabilities in total	**72.809.549**	**58.281.360**

12 Mortgage and securities

13 Contingencies

14 Related parties

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Share premium account	Reserves for net revaluation as per the equity method	Results brought forward	Proposed dividend for the financial year	In total
Equity 1 October 2016	500.000	0	6.372.830	16.178.186	8.500.000	31.551.016
Effect of change in accounting policies	0	0	-6.372.830	0	0	-6.372.830
Distributed dividend	0	0	0	0	-8.500.000	-8.500.000
Share of results	0	0	0	8.525.548	10.500.000	19.025.548
Equity 1 October 2017	500.000	0	0	24.703.734	10.500.000	35.703.734
Cash capital increase	250.000	24.750.000	0	0	0	25.000.000
Distributed dividend	0	0	0	0	-10.500.000	-10.500.000
Share of results	0	0	0	-16.384.956	13.900.000	-2.484.956
Extraordinary dividend adopted during the financial year	0	0	0	25.000.000	0	25.000.000
Distributed extraordinary dividend adopted during the financial year.	0	0	0	-25.000.000	0	-25.000.000
Share premium transferred to results brought forward	0	-24.750.000	0	24.750.000	0	0
	750.000	**0**	**0**	**33.068.778**	**13.900.000**	**47.718.778**

All amounts in DKK.

		2017/18	2016/17
1.	**Staff costs**		
	Salaries and wages	16.535.595	15.552.067
	Pension costs	2.437.276	2.376.638
	Other costs for social security	233.078	247.584
		19.205.949	**18.176.289**
	Average number of employees	35	32

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

		2017/18	2016/17
2.	**Other financial costs**		
	Financial costs, group enterprises	55.970	51.399
	Other financial costs	38.891	1.655
		94.861	**53.054**
3.	**Tax on ordinary results**		
	Tax of the results for the year	4.103.264	3.868.612
	Adjustment for the year of deferred tax	-12.424	53.318
		4.090.840	**3.921.930**
4.	**Proposed distribution of the results**		
	Extraordinary dividend adopted during the financial year	25.000.000	0
	Dividend for the financial year	13.900.000	10.500.000
	Allocated to results brought forward	0	8.525.548
	Allocated from results brought forward	-16.384.956	0
	Distribution in total	**22.515.044**	**19.025.548**

Notes

All amounts in DKK.

		30/9 2018	30/9 2017
5.	**Plant and machinery**		
	Cost opening balance	3.368.856	2.441.325
	Additions during the year	221.773	927.531
	Cost closing balance	**3.590.629**	**3.368.856**
	Depreciation and writedown opening balance	-2.409.093	-2.340.811
	Depreciation for the year	-203.873	-68.282
	Depreciation and writedown closing balance	**-2.612.966**	**-2.409.093**
	Book value closing balance	**977.663**	**959.763**
6.	**Other fixtures and fittings, tools and equipment**		
	Cost opening balance	4.679.184	4.656.183
	Additions during the year	0	23.000
	Cost closing balance	**4.679.184**	**4.679.183**
	Depreciation and writedown opening balance	-4.117.618	-3.849.777
	Depreciation for the year	-251.578	-267.840
	Depreciation and writedown closing balance	**-4.369.196**	**-4.117.617**
	Book value closing balance	**309.988**	**561.566**
7.	**Equity investment in group enterprise**		
	Acquisition sum opening balance	81.040	81.040
	Book value closing balance	**81.040**	**81.040**

The financial highlights for the enterprise according to the latest approved annual report

	Share of ownership	Equity DKK	Results for the year DKK
M Seals AB, Sweden	100 %	10.620.811	9.763.403

Notes

All amounts in DKK.

		30/9 2018	30/9 2017
8.	**Deposits**		
	Cost opening balance	431.892	431.892
	Cost closing balance	**431.892**	**431.892**
	Book value closing balance	**431.892**	**431.892**

9. Prepayments

Prepayments comprise incurred costs relating to subsequent financial years.

10. Share capital

The company's corporate capital is, in total, DKK 750.000 in shares of DKK 1.000 or multiple herof, distributed on:

1. 500 C-shares
2. 225 B-shares
3. 25 A-shares

The share capital is fully faid up.

		30/9 2018	30/9 2017
11.	**Provisions for deferred tax**		
	Provisions for deferred tax opening balance	293.801	240.483
	Deferred tax of the results for the year	-12.424	53.318
		281.377	**293.801**

12. Mortgage and securities

The company has no mortgage or securities at 30 September 2018.

All amounts in DKK.

13. Contingencies

Contingent liabilities

	DKK in thousands
Rental agreements	690
Leases	526
Contingent liabilities in total	**1.216**

14. Related parties

Controlling interest

Diploma PLC Charterhouse Square London EC1M 6AX England	Majority shareholder

Other related parties

Thomas Baag Petersen	CEO / Board member
Nigel Peter Lingwood	Board member
Jette Stade	Board member
Diploma PLC and all of its related entities	

Transactions

There has been no transactions with related parties not conducted on market terms.

Consolidated annual accounts

The company is included in the consolidated annual accounts of Diploma PLC, London.

The foreign consolidated financial statements are available at:
http://www.diplomaplc.com

Accounting policies used

The annual report for M Seals A/S is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class C enterprises (medium sized enterprises).

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Diploma PLC, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statements included in the consolidated financial statements of Diploma PLC, the company has not prepared a cash statement.

Changes in the accounting policies used

The accounting policies for Investments in subsidiaries are changed from the equity method to cost price in order to align the accounting principles with the Diploma Group, and reflects how performance are measured in the Group.

The adjustment from book value at the beginning of the year to cost at year-end is recognized directly in equity and comparative figures relating to changes in practice are restated accordingly.

The comparative figures have been adjusted to the changed accounting policies.

The effect of the change represent a decrease in result for the year of kDKK 1.692 (2016/17: kDKK 3.006) as well as a decrease in equity as of 1 October 2017 of kDKK 9.241 (1 October 2016: kDKK 6.373).

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

Fixed assets and other non-monetary assets acquired in foreign currency and which are not considered to be investment assets purchased in foreign currencies are measured at the exchange rate on the transaction date.

In case the foreign group enterprises and associated enterprises meet the criteria for being independent units, the profit and loss accounts are translated by using an average exchange rate for the period in question, and the balance sheet items are translated by using the closing rate. Differences arising in connection with the translation of the equity of foreign group enterprises at the beginning of the year to the closing rate are recognised directly in the equity. The same goes for differences arising in connection with translation of the profit and loss accounts from average exchange rate to the closing rate.

The profit and loss account

Gross profit

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

The gross profit comprises the net turnover, changes in inventories of finished goods and work in progress, work performed for own purposes and capitalised, other operating income, and external costs.

The net turnover is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Costs of sales includes costs for the purchase of raw materials and consumables less discounts and changes in inventories.

Other external costs comprise costs for distribution, sales, advertisement, administration, premises, loss on debtors, and operational leasing costs.

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation, amortisation and writedown for the year and gains and losses on disposal of intangible and tangible fixed assets.

Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

Dividedens from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The balance sheet

Tangible fixed assets

Tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown.

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

If the amortisation period or the residual value is changed, the effect on amortisation will in the future be recognised as a change in the accounting estimates.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life:

	Useful life
Plant and machinery	*3-5 years*
Other fixtures and fittings, tools and equipment	*3-7 years*
Leasehold improvements	*3-7 years*

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or loss is recognised in the profit and loss account under depreciation.

Leasing contracts

At the first recognition in the balance sheet, leasing contracts concerning tangible fixed assets by which the company holds all essential risks and advantages attached to the proprietary right (financial leasing) are measured either at fair value or at the present value of the future leasing services, whichever value is lower. When calculating the present value, the internal interest rate of the leasing contract or alternatively the borrowing rate of the enterprise is used as discount rate. Afterwards, financially leased assets are treated in the same way as other similar tangible assets.

The capitalised residual leasing liability is recognised in the balance sheet as a liability, and the interest part of the leasing contract is recognised in the profit and loss account over the term of the contract.

All other leasing contracts are considered operational leasing. Payments in connection with operational leasing and other rental agreements are recognised in the profit and loss account over the term of the contract. The company's total liabilities concerning operational leasing and rental agreements are recognised under contingencies etc.

Financial fixed assets

Equity investment in group enterprise

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Inventories

Inventories are measured at cost on basis of measured average prices. In case the net realisable value is lower than the cost, writedown takes place at this lower value.

The cost for trade goods, raw materials, and consumables comprises the acquisition cost with the addition of the delivery costs.

The net realisable value for inventories is recognised as the market price with deduction of completion costs and selling costs. The net realisable value is determined taking into consideration the negotiability, obsolescence, and development of the expected market price.

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Prepayments

Prepayments recognised under assets comprise incurred costs concerning the next financial year.

Available funds

Available funds comprise cash at bank and in hand.

Equity

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under the equity. Proposed dividend is recognised as a liability at the time of approval by the general meeting (the time of declaration).

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Liabilities

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