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Belman A/S
Oddesundvej 18
6715 Esbjerg N
Central Business Registration No
17694235

Annual report 2017/18

The Annual General Meeting adopted the annual report on 25.02.2019

Chairman of the General Meeting

Name: Jacob Mou

Contents

Entity details

Entity

Belman A/S
Oddesundvej 18
6715 Esbjerg N

Central Business Registration No: 17694235
Registered in: Esbjerg
Financial year: 01.10.2017 - 30.09.2018

Phone: 75155999
Fax: 75155959
Website: www.belman.dk
E-mail: belman@belman.dk

Board of Directors

Jacob Mou, chairman of the board
Christian Mou
Henrik Mou

Executive Board

Rolf Rasmussen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Dokken 8
Postbox 200
6701 Esbjerg

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Belman A/S for the financial year 01.10.2017 - 30.09.2018.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.09.2018 and of the results of its operations and cash flows for the financial year 01.10.2017 - 30.09.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Esbjerg, 25.02.2019

Executive Board

Rolf Rasmussen

Board of Directors

Jacob Mou chairman of the board	Christian Mou	Henrik Mou

Independent auditor's report

To the shareholders of Belman A/S

Opinion

We have audited the financial statements of Belman A/S for the financial year 01.10.2017 - 30.09.2018, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.09.2018 and of the results of its operations and cash flows for the financial year 01.10.2017 - 30.09.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditor's report

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 the management commentary
Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Esbjerg, 25.02.2019

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Peder Rene Pedersen
State Authorised Public Accountant
Identification number (MNE) mne23334

Ove Nielsen
State Authorised Public Accountant
Identification number (MNE) mne16614

Management commentary

	2017/18 DKK'000	2016/17 DKK'000	2015/16 DKK'000	2014/15 DKK'000	2013/14 DKK'000
Financial highlights					
Key figures					
Gross profit	47,877	43,560	36,704	45,807	52,464
EBITDA	3,315	3,606	(3,686)	4,331	11,001
Operating profit/loss	1,520	1,793	(5,416)	2,197	8,614
Net financials	(838)	(384)	797	1,647	2,580
Profit/loss for the year	365	988	(3,427)	3,314	9,176
Total assets	52,633	40,035	42,060	48,037	55,086
Investments in property, plant and equipment	1,295	1,357	511	1,196	2,708
Equity	24,112	26,315	25,829	33,532	34,075
Average invested capital incl goodwill	24,832	20,500	22,339	23,968	25,096
Interest bearing debt, net	10,662	(1,131)	2,684	(3,041)	1,061
Employees in average	85	84	94	94	93
Ratios					
Return on invested capital incl goodwill (%)	7.7	10.6	(23.2)	9.2	34.3
Financial gearing (%)	0.4	0.0	0.1	(0.1)	0.0
Return on equity (%)	1.4	3.8	(11.5)	9.8	30.9
Net interest-bearing debt/EBITDA	3.2	(0.3)	(0.7)	(0.7)	0.1

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Management commentary

Ratios	Calculation formula	Ratios
Return on invested capital incl goodwill (%)	EBITA x 100 / Average invested capital incl goodwill	The return generated by the entity on the investors' funds.
Financial gearing	Interest bearing debt, net / Equity	The entity's financial gearing.
Return on equity (%)	Profit/loss for the year x 100 / Average equity	The entity's return on capital invested in the entity by the owners.
Net interest-bearing debt/EBITDA	Net interest-bearing debt / EBITDA	Shows how many years it would take the company to pay back its debt.

EBITA (Earnings Before Interest, Tax and Amortisation) is defined as operating profit

Invested capital including goodwill is defined as net working capital plus the carrying amount of property, plant and equipment and intangible assets as well as accumulated amortisation of intangible assets including goodwill, and less other provisions and long-term operating liabilities.

Net working capital is defined as inventories, receivables and other operating current assets net of trade payables and other short-term operating liabilities. Income taxes receivable and payable as well as cash are not included in net working capital.

Net interest-bearing debt is defined as interest-bearing liabilities, including income tax payable, net of interest-bearing assets, including cash and income tax receivable.

Management commentary

Primary activities
The Company´s main activity is design, manufacturing and sale of steel expansion joints as well as complementary products as rubber and fabric bellows, steel hoses etc. The products are used to absorb movements mainly caused by thermal fluctuations in pipe systems, vibrations and also help to reduce pressure thrust forces in pressurized systems and equipment.

The products are mainly sold to energy, steel, oil & gas and chemical sector as well as industrial processing-plants, vessels piping systems and pharmaceutical plants.

Development in activities and finances
The financial year 2017/18 turned out to be unsatisfactory for Belman A/S. The Company realised a profit of DKK 365k for the year against a loss of DKK 988k for 2016/17.

Following the profit, equity comes to DKK 24,112k.

Outlook
A profit of 3-6 million DKK is expected for the financial year 2018/19.

Research and development activities
The development project consists of a simplified offer- and calculation software, which will be available to customers and internal sales agents, and provide these with the opportunity to calculate and prepare offers on the smaller projects. The software will at the same time form the basis of the new catalogue.

The name of the software is Belmaker Light, which indicates the software is a variant of the company's existing calculation- and offer-preparing software.

Expenses include essentially internal costs pertaining to salaries to the involved development engineers and IT-responsible.

The object of the software is to increase efficiency regarding preparing of offers, and to increase the visibility of the company towards new and existing customer segments.

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

Income statement for 2017/18

	Notes	2017/18 DKK	2016/17 DKK
Gross profit		**47,876,646**	**43,559,817**
Staff costs	1	(44,561,264)	(39,954,263)
Depreciation, amortisation and impairment losses	2	(1,795,382)	(1,812,452)
Operating profit/loss		**1,520,000**	**1,793,102**
Income from investments in group enterprises		(732,887)	(318,518)
Other financial expenses	3	(105,255)	(64,982)
Profit/loss before tax		**681,858**	**1,409,602**
Tax on profit/loss for the year	4	(317,000)	(422,000)
Profit/loss for the year	5	**364,858**	**987,602**

Balance sheet at 30.09.2018

	Notes	2017/18 DKK	2016/17 DKK
Completed development projects		919,100	1,299,418
Intangible assets	6	**919,100**	**1,299,418**
Other fixtures and fittings, tools and equipment		1,738,024	2,789,850
Leasehold improvements		11,940	59,702
Property, plant and equipment in progress		918,255	189,055
Property, plant and equipment	7	**2,668,219**	**3,038,607**
Investments in group enterprises		4,304,758	5,105,529
Fixed asset investments	8	**4,304,758**	**5,105,529**
Fixed assets		**7,892,077**	**9,443,554**
Raw materials and consumables		13,029,621	12,961,582
Manufactured goods and goods for resale		45,377	90,883
Inventories		**13,074,998**	**13,052,465**
Trade receivables		21,741,317	10,443,016
Contract work in progress	9	7,600,000	4,725,000
Receivables from group enterprises		231,429	521,813
Deferred tax	10	283,000	600,000
Other receivables		1,449,043	0
Prepayments	11	135,000	296,238
Receivables		**31,439,789**	**16,586,067**
Cash		**226,513**	**953,279**
Current assets		**44,741,300**	**30,591,811**
Assets		**52,633,377**	**40,035,365**

Balance sheet at 30.09.2018

	Notes	2017/18 DKK	2016/17 DKK
Contributed capital	12	5,000,000	5,000,000
Reserve for net revaluation according to the equity method		645,724	1,446,495
Retained earnings		17,465,780	17,368,035
Proposed dividend		1,000,000	2,500,000
Equity		**24,111,504**	**26,314,530**
Bank loans		10,657,938	91,404
Prepayments received from customers		38,833	1,177,778
Trade payables		8,280,863	5,052,691
Payables to group enterprises		461,745	252,702
Other payables		9,082,494	7,146,260
Current liabilities other than provisions		**28,521,873**	**13,720,835**
Liabilities other than provisions		**28,521,873**	**13,720,835**
Equity and liabilities		**52,633,377**	**40,035,365**
Unrecognised rental and lease commitments	14		
Contingent liabilities	15		
Group relations	16		

Statement of changes in equity for 2017/18

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Proposed dividend DKK
Equity beginning of year	5,000,000	1,446,495	17,368,035	2,500,000
Ordinary dividend paid	0	0	0	(2,500,000)
Exchange rate adjustments	0	(67,884)	0	0
Profit/loss for the year	0	(732,887)	97,745	1,000,000
Equity end of year	**5,000,000**	**645,724**	**17,465,780**	**1,000,000**

	Total DKK
Equity beginning of year	26,314,530
Ordinary dividend paid	(2,500,000)
Exchange rate adjustments	(67,884)
Profit/loss for the year	364,858
Equity end of year	**24,111,504**

Cash flow statement 2017/18

	Notes	2017/18 DKK	2016/17 DKK
Operating profit/loss		1,520,000	1,793,102
Amortisation, depreciation and impairment losses		1,795,382	1,812,452
Working capital changes	13	(10,958,751)	(548,014)
Cash flow from ordinary operating activities		**(7,643,369)**	**3,057,540**
Financial income paid		(105,255)	(64,982)
Income taxes refunded/(paid)		0	18,000
Cash flows from operating activities		**(7,748,624)**	**3,010,558**
Acquisition etc of property, plant and equipment		(1,294,676)	(1,357,021)
Sale of property, plant and equipment		250,000	3,000
Sale of fixed asset investments		0	24,645
Cash flows from investing activities		**(1,044,676)**	**(1,329,376)**
Dividend paid		(2,500,000)	0
Cash flows from financing activities		**(2,500,000)**	**0**
Increase/decrease in cash and cash equivalents		**(11,293,300)**	**1,681,182**
Cash and cash equivalents beginning of year		861,875	(819,307)
Cash and cash equivalents end of year		**(10,431,425)**	**861,875**
Cash and cash equivalents at year-end are composed of:			
Cash		226,513	953,279
Short-term debt to banks		(10,657,938)	(91,404)
Cash and cash equivalents end of year		**(10,431,425)**	**861,875**

Notes

	2017/18 DKK	2016/17 DKK
1. Staff costs		
Wages and salaries	40,745,784	36,489,772
Pension costs	3,098,059	2,782,304
Other social security costs	717,421	682,187
	44,561,264	**39,954,263**
Average number of employees	**85**	**84**

	Remuneration of management 2017/18 DKK	Remuneration of management 2016/17 DKK
Total amount for management categories	1,174,500	1,142,000
	1,174,500	**1,142,000**

	2017/18 DKK	2016/17 DKK
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	380,318	380,317
Depreciation of property, plant and equipment	1,321,295	1,435,135
Profit/loss from sale of intangible assets and property, plant and equipment	93,769	(3,000)
	1,795,382	**1,812,452**

	2017/18 DKK	2016/17 DKK
3. Other financial expenses		
Financial expenses from group enterprises	29,417	11,017
Interest expenses	75,838	53,965
	105,255	**64,982**

Notes

	2017/18 DKK	2016/17 DKK
4. Tax on profit/loss for the year		
Change in deferred tax for the year	317,000	422,000
	317,000	**422,000**

	2017/18 DKK	2016/17 DKK
5. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	1,000,000	2,500,000
Transferred to reserve for net revaluation according to the equity method	(732,887)	(318,518)
Retained earnings	97,745	(1,193,880)
	364,858	**987,602**

	Completed develop-ment projects DKK
6. Intangible assets	
Cost beginning of year	1,901,586
Cost end of year	**1,901,586**
Amortisation and impairment losses beginning of year	(602,168)
Amortisation for the year	(380,318)
Amortisation and impairment losses end of year	**(982,486)**
Carrying amount end of year	**919,100**

Notes

	Other fixtures and fittings, tools and equipment DKK	Leasehold improve-ments DKK	Property, plant and equipment in progress DKK
7. Property, plant and equipment			
Cost beginning of year	31,826,832	236,948	189,055
Additions	565,476	0	729,200
Disposals	(763,000)	0	0
Cost end of year	**31,629,308**	**236,948**	**918,255**
Depreciation and impairment losses beginning of the year	(29,036,982)	(177,246)	0
Depreciation for the year	(1,273,533)	(47,762)	0
Reversal regarding disposals	419,231	0	0
Depreciation and impairment losses end of the year	**(29,891,284)**	**(225,008)**	**0**
Carrying amount end of year	**1,738,024**	**11,940**	**918,255**

	Investments in group enterprises DKK
8. Fixed asset investments	
Cost beginning of year	3,659,034
Cost end of year	**3,659,034**
Revaluations beginning of year	1,446,495
Exchange rate adjustments	(67,884)
Share of profit/loss for the year	(732,887)
Revaluations end of year	**645,724**
Carrying amount end of year	**4,304,758**

Notes

	Registered in	Corporate form	Equity interest %
Investments in group enterprises comprise:			
Belman UK Ltd.	United Kingdom	Ltd	100.0
LLC Belman Russia	Russia	LLC	75.0

	2017/18 DKK	2016/17 DKK
9. Contract work in progress		
Contract work in progress	7,600,000	4,725,000
	7,600,000	**4,725,000**

	2017/18 DKK	2016/17 DKK
10. Deferred tax		
Intangible assets	(202,000)	(286,000)
Property, plant and equipment	422,000	392,000
Inventories	(208,000)	(112,000)
Receivables	0	(29,000)
Tax losses carried forward	271,000	635,000
	283,000	**600,000**

Changes during the year	
Beginning of year	600,000
Recognised in the income statement	(317,000)
End of year	**283,000**

11. Prepayments

Prepayments comprise incurred costs relating to subsequent financial years.

	Number	Par value DKK	Nominal value DKK
12. Contributed capital			
Ordinary shares	5,000	1,000	5,000,000
	5,000		**5,000,000**

Notes

	2017/18 DKK	2016/17 DKK
13. Change in working capital		
Increase/decrease in inventories	(22,533)	(570,655)
Increase/decrease in receivables	(15,170,722)	1,207,435
Increase/decrease in trade payables etc	4,234,504	(1,184,794)
	(10,958,751)	**(548,014)**

	2017/18 DKK	2016/17 DKK
14. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	**1,202,781**	**1,074,399**
Herof liabilities under rental agreements or leases with group enterprises until expiry	**1,095,887**	**1,074,399**

	2017/18 DKK	2016/17 DKK
15. Contingent liabilities		
Recourse and non-recourse guarantee commitments	667,843	321,708
Contingent liabilities in total	**667,843**	**321,708**

The Entity participates in a Danish joint taxation arrangement with Mou Invest ApS serving as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities.

16. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Mou Invest ApS, Esbjerg
Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Mou Invest ApS, Esbjerg

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these financial statements are consistent with those applied last year.

Consolidated financial statements
Referring to section 110 of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Recognition and measurement
Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement
Gross profit or loss
Gross profit or loss comprises revenue, cost of sales and other external expenses.

Accounting policies

Revenue
Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Changes in inventories of finished goods and work in progress
Changes in inventories of finished goods and work in progress comprise decreases or increases for the financial year in inventories of finished goods and work in progress. This item includes ordinary writedowns of such inventories. Changes in inventories of raw materials are included in costs of raw materials and consumables.

Cost of sales
Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses
Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs
Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses
Amortisation, depreciation and impairment losses relating to property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of property, plant and equipment.

Income from investments in group enterprises
Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on payables and transactions in foreign currencies etc.

Tax on profit/loss for the year

Accounting policies

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with the parent and all the parents Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Intellectual property rights etc

Intellectual property rights etc. comprise development projects in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-constructed assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-14 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Accounting policies

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straight-line over its estimated useful life which is normally 5 years.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Inventories
Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Contract work in progress
Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash
Cash comprises cash in hand and bank deposits.

Accounting policies

Dividend
Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity.

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

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.