



Belman A/S

Oddesundvej 18, 6715 Esbjerg N
CVR No. 17694235

**Annual report 01.10.2018 -
30.09.2019**

The Annual General Meeting adopted the
annual report on 31.01.2020

Jacob Mou
Conductor

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Entity details

Entity

Belman A/S

Oddesundvej 18

6715 Esbjerg N

CVR No.: 17694235

Registered office: Esbjerg

Financial year: 01.10.2018 - 30.09.2019

Phone number: +4575155999

URL: www.belman.com

E-mail: belman@belman.com

Board of Directors

Jacob Mou, Chairman of the board

Henrik Mou

Christian Mou

Executive Board

Rolf Rasmussen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Dokken 8

P. O. Box 200

6701 Esbjerg

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Belman A/S for the financial year 01.10.2018 - 30.09.2019.

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 30.09.2019 and of the results of its operations and cash flows for the financial year 01.10.2018 - 30.09.2019.

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, 31.01.2020

Executive Board

Rolf Rasmussen

Board of Directors

Jacob Mou

Chairman of the board

Henrik Mou

Christian 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 01.10.2018 - 30.09.2019, 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 30.09.2019 and of the results of its operations and cash flows for the financial year 01.10.2018 - 30.09.2019 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.

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.

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, 31.01.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No.: 33963556

Mikael Grosbøl

State Authorised Public Accountant
Identification No (MNE) 33707

Management commentary

Financial highlights

	2018/19 DKK'000	2017/18 DKK'000	2016/17 DKK'000	2015/16 DKK'000	2014/15 DKK'000
Key figures					
Gross profit/loss	65,361	47,877	43,560	36,704	45,807
Operating profit/loss	14,083	1,520	1,793	(5,416)	2,197
Net financials	118	(105)	(65)	(44)	23
Profit/loss for the year	10,864	365	988	(3,427)	3,314
Total assets	60,192	52,633	40,035	42,060	48,037
Investments in property, plant and equipment	3,647	1,295	1,357	511	1,196
Equity	34,064	24,112	26,315	25,829	33,532
Average invested capital incl goodwill	28,651	24,832	20,500	22,339	23,968
Net interest-bearing debt	(4,676)	10,662	(1,131)	2,684	(3,041)
Average number of employees	90	85	84	94	94
Ratios					
Return on invested capital incl goodwill (%)	49,15	6,12	8,75	(24,24)	9,17
Financial gearing	(0.14)	0.44	(0.04)	0.10	(0.09)
Return on equity (%)	37.35	1.45	3.79	(11.55)	9,8
Equity ratio (%)	56.59	45.81	65.73	61.41	69.81

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by CFA Society Denmark.

Return on invested capital incl goodwill (%):

EBITA * 100

Average invested capital incl goodwill

Financial gearing :

Net interest-bearing debt

Equity

Return on equity (%):

Profit/loss for the year * 100

Average equity

Equity ratio (%):

Equity * 100

Total assets

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 2018/19 turned out to be satisfying for Belman A/S. The Company realised a profit of DKK 10,864K for the year against a profit of DKK 365k for 2017/18.

Following the profit, equity comes to DKK 34,064k.

Outlook

A profit of 7-10 mDKK is expected for the financial year 2019/20.

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 2018/19

	Notes	2018/19 DKK	2017/18 DKK
Gross profit/loss		65,361,062	47,876,646
Staff costs	2	(49,738,488)	(44,561,264)
Depreciation, amortisation and impairment losses	3	(1,539,418)	(1,795,382)
Operating profit/loss		14,083,156	1,520,000
Income from investments in group enterprises		(183,835)	(732,887)
Other financial income		242,430	0
Other financial expenses	4	(124,719)	(105,255)
Profit/loss before tax		14,017,032	681,858
Tax on profit/loss for the year	5	(3,153,000)	(317,000)
Profit/loss for the year	6	10,864,032	364,858

Balance sheet at 30.09.2019

Assets

	Notes	2018/19 DKK	2017/18 DKK
Completed development projects	8	538,782	919,100
Intangible assets	7	538,782	919,100
Other fixtures and fittings, tools and equipment		3,841,164	1,738,024
Leasehold improvements		0	11,940
Property, plant and equipment in progress		394,032	918,255
Property, plant and equipment	9	4,235,196	2,668,219
Investments in group enterprises		4,208,915	4,304,758
Other financial assets	10	4,208,915	4,304,758
Fixed assets		8,982,893	7,892,077
Raw materials and consumables		13,105,741	13,029,621
Manufactured goods and goods for resale		0	45,377
Inventories		13,105,741	13,074,998
Trade receivables		21,404,217	21,741,317
Contract work in progress	11	7,719,000	7,600,000
Receivables from group enterprises		1,497,482	231,429
Deferred tax	12	0	283,000
Other receivables		884,805	1,449,043
Prepayments	13	577,159	135,000
Receivables		32,082,663	31,439,789
Cash		6,020,797	226,513
Current assets		51,209,201	44,741,300
Assets		60,192,094	52,633,377

Equity and liabilities

	Notes	2018/19 DKK	2017/18 DKK
Contributed capital	14	5,000,000	5,000,000
Reserve for net revaluation according to the equity method		549,881	645,724
Retained earnings		18,513,647	17,465,780
Proposed dividend		10,000,000	1,000,000
Equity		34,063,528	24,111,504
Deferred tax	12	181,000	0
Provisions		181,000	0
Finance lease liabilities		1,043,502	0
Other payables		515,778	0
Non-current liabilities other than provisions	15	1,559,280	0
Current portion of non-current liabilities other than provisions	15	196,498	0
Bank loans		153,772	10,657,938
Prepayments received from customers		3,602,624	38,833
Trade payables		7,622,092	8,280,863
Payables to group enterprises		0	461,745
Income tax payable		2,689,000	0
Other payables		10,124,300	9,082,494
Current liabilities other than provisions		24,388,286	28,521,873
Liabilities other than provisions		25,947,566	28,521,873
Equity and liabilities		60,192,094	52,633,377
Uncertainty relating to recognition and measurement	1		
Unrecognised rental and lease commitments	17		
Contingent liabilities	18		
Transactions with related parties	19		
Group relations	20		

Statement of changes in equity for 2018/19

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	5,000,000	645,724	17,465,780	1,000,000	24,111,504
Ordinary dividend paid	0	0	0	(1,000,000)	(1,000,000)
Exchange rate adjustments	0	87,992	0	0	87,992
Profit/loss for the year	0	(183,835)	1,047,867	10,000,000	10,864,032
Equity end of year	5,000,000	549,881	18,513,647	10,000,000	34,063,528

Cash flow statement for 2018/19

	Notes	2018/19 DKK	2017/18 DKK
Operating profit/loss		14,083,156	1,520,000
Amortisation, depreciation and impairment losses		1,539,418	1,795,382
Working capital changes	16	3,044,242	(10,958,751)
Cash flow from ordinary operating activities		18,666,816	(7,643,369)
Financial income received		242,430	0
Financial expenses paid		(124,719)	(105,255)
Cash flows from operating activities		18,784,527	(7,748,624)
Acquisition etc of property, plant and equipment		(2,728,437)	(1,294,676)
Sale of property, plant and equipment		2,360	250,000
Cash flows from investing activities		(2,726,077)	(1,044,676)
Loans raised		1,240,000	0
Dividend paid		(1,000,000)	(2,500,000)
Cash flows from financing activities		240,000	(2,500,000)
Increase/decrease in cash and cash equivalents		16,298,450	(11,293,300)
Cash and cash equivalents beginning of year		(10,431,425)	861,875
Cash and cash equivalents end of year		5,867,025	(10,431,425)
Cash and cash equivalents at year-end are composed of:			
Cash		6,020,797	226,513
Short-term debt to banks		(153,772)	(10,657,938)
Cash and cash equivalents end of year		5,867,025	(10,431,425)

Notes

1 Uncertainty relating to recognition and measurement

In one of the subsidiaries a customer has raised a claim against the subsidiary. The management considers the claim to be unfounded. If the claim against expectation has negative consequences, the valuation of the subsidiary can be negative effected.

2 Staff costs

	2018/19	2017/18
	DKK	DKK
Wages and salaries	45,603,310	40,745,784
Pension costs	3,300,152	3,098,059
Other social security costs	835,026	717,421
	49,738,488	44,561,264
Average number of full-time employees	90	85

	Remuneration of management 2018/19 DKK	Remuneration of management 2017/18 DKK
Total amount for management categories	2,535,910	1,142,000
	2,535,910	1,142,000

3 Depreciation, amortisation and impairment losses

	2018/19	2017/18
	DKK	DKK
Amortisation of intangible assets	380,318	380,318
Depreciation of property, plant and equipment	1,161,460	1,321,295
Profit/loss from sale of intangible assets and property, plant and equipment	(2,360)	93,769
	1,539,418	1,795,382

4 Other financial expenses

	2018/19	2017/18
	DKK	DKK
Financial expenses from group enterprises	2,854	29,417
Other interest expenses	121,865	75,838
	124,719	105,255

5 Tax on profit/loss for the year

	2018/19 DKK	2017/18 DKK
Current tax	2,689,000	0
Change in deferred tax	464,000	317,000
	3,153,000	317,000

6 Proposed distribution of profit and loss

	2018/19 DKK	2017/18 DKK
Ordinary dividend for the financial year	10,000,000	1,000,000
Retained earnings	864,032	(635,142)
	10,864,032	364,858

7 Intangible assets

	Completed development projects DKK
Cost beginning of year	1,901,586
Cost end of year	1,901,586
Amortisation and impairment losses beginning of year	(982,486)
Amortisation for the year	(380,318)
Amortisation and impairment losses end of year	(1,362,804)
Carrying amount end of year	538,782

8 Development projects

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.

9 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK	Property, plant and equipment in progress DKK
Cost beginning of year	31,629,308	236,948	918,255
Additions	3,252,659	0	394,031
Disposals	(15,672)	0	(918,254)
Cost end of year	34,866,295	236,948	394,032
Depreciation and impairment losses beginning of year	(29,891,284)	(225,008)	0
Depreciation for the year	(1,149,519)	(11,940)	0
Reversal regarding disposals	15,672	0	0
Depreciation and impairment losses end of year	(31,025,131)	(236,948)	0
Carrying amount end of year	3,841,164	0	394,032
Recognised assets not owned by entity	1,240,000	0	0

10 Financial assets

	Investments in group enterprises DKK
Cost beginning of year	3,659,034
Cost end of year	3,659,034
Revaluations beginning of year	645,724
Exchange rate adjustments	87,992
Share of profit/loss for the year	(183,835)
Revaluations end of year	549,881
Carrying amount end of year	4,208,915

	Registered in	Corporate form	Equity interest %
Investments in subsidiaries			
Belman UK Ltd.	United Kingdom	Ltd	100
LLC Belman Russia	Russia	LLC	75

11 Contract work in progress

	2018/19 DKK	2017/18 DKK
Contract work in progress	7,719,000	7,600,000
	7,719,000	7,600,000

12 Deferred tax

	2018/19	2017/18
	DKK	DKK
Intangible assets	119,000	202,000
Property, plant and equipment	(381,000)	(422,000)
Receivables	443,000	208,000
Tax losses carried forward	0	(271,000)
Deferred tax	181,000	(283,000)

Changes during the year	2018/19
	DKK
Beginning of year	(283,000)
Recognised in the income statement	464,000
End of year	181,000

13 Prepayments

Prepayments comprise incurred costs relating to subsequent financial years

14 Share capital

	Number	Par value	Nominal
		DKK	value
			DKK
Ordinary shares	5,000	1000	5,000,000
	5,000		5,000,000

15 Non-current liabilities other than provisions

	Due within 12	Due after	Outstanding
	months	more than 12	after 5 years
	2018/19	months	2018/19
	DKK	2018/19	DKK
		DKK	DKK
Finance lease liabilities	196,498	1,043,502	143,511
Other payables	0	515,778	0
	196,498	1,559,280	143,511

16 Changes in working capital

	2018/19 DKK	2017/18 DKK
Increase/decrease in inventories	(30,743)	(22,533)
Increase/decrease in receivables	(925,874)	(15,170,722)
Increase/decrease in trade payables etc	4,000,859	4,234,504
	3,044,242	(10,958,751)

17 Unrecognised rental and lease commitments

	2018/19 DKK	2017/18 DKK
Liabilities under rental or lease agreements until maturity in total	1,150,691	1,202,781
Liabilities under rental agreements or leases with group enterprises until expiry	1,117,800	1,095,887

18 Contingent liabilities

	2018/19 DKK	2017/18 DKK
Recourse and non-recourse guarantee commitments	800,980	667,843
Contingent liabilities	800,980	667,843

The Entity participates in a Danish joint taxation arrangement with Mou Fusion 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.

19 Non-arm's length related party transactions

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

20 Group relations

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

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

Accounting policies

Reporting class

This annual report has been prepared 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.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

Income statement

Gross profit or loss

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

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, and social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment comprise depreciation, amortisation 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 income

Other financial income comprises exchange gains on securities, payables and transactions in foreign currencies.

Other financial expenses

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

Tax on profit/loss for the year

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 group enterprises. 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 completed.

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.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. The amortisation periods used are 5 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

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, sub-suppliers 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
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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

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.

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 the tax-based value of assets and liabilities, for which the tax-based value 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.

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.

Finance lease liabilities

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Operating leases

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

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.

Income tax receivable or payable

Current tax receivable or payable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities, and 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, and 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.