

Pres-Vac Engineering A/S

Svanevang 3
3450 Allerød
Business Registration No
20545739

Annual report 01.07.2018 - 30.06.2019

The Annual General Meeting adopted the annual report on 09.09.2019

Chairman of the General Meeting

Name: Karsten Lindved

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Entity details

Entity

Pres-Vac Engineering A/S
Svanevang 3
3450 Allerød

Central Business Registration No (CVR): 20545739

Registered in: Allerød

Financial year: 01.07.2018 - 30.06.2019

Website: www.pres-vac.dk

E-mail: presvac@pres-vac.com

Board of Directors

Søren Klarskov Vilby, Chairman

Thomas Marstrand

Kristian la Cour

Bo Kristensen

Executive Board

Bo Kristensen

Karsten Lindved

Oscar William Gunner

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 Pres-Vac Engineering A/S for the financial year 01.07.2018 - 30.06.2019.

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 30.06.2019 and of the results of its operations for the financial year 01.07.2018 - 30.06.2019.

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.

Allerød, 06.09.2019

Executive Board

Bo Kristensen

Karsten Lindved

Oscar William Gunner

Board of Directors

Søren Klarskov Vilby
Chairman

Thomas Marstrand

Kristian la Cour

Bo Kristensen

Independent auditor's report

To the shareholders of Pres-Vac Engineering A/S

Opinion

We have audited the financial statements of Pres-Vac Engineering A/S for the financial year 01.07.2018 - 30.06.2019, which comprise the income statement, balance sheet, statement of changes in equity 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 30.06.2019 and of the results of its operations for the financial year 01.07.2018 - 30.06.2019 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:

Independent auditor's report

- 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, 06.09.2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Jørn Jepsen
State Authorised Public Accountant
Identification No (MNE) mne24824

Management commentary

	2018/19	2017/18	2016/17	2015/16	2014/15
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial highlights					
Key figures					
Gross profit	27,347	31,032	30,816	18,433	25,660
Operating profit/loss	5,043	(3,026)	(7,096)	21,739	8,637
Net financials	(297)	(2,290)	(1,820)	(706)	2,200
Profit/loss for the year	3,702	(4,163)	(7,178)	16,245	8,470
Total assets	97,434	110,283	115,915	107,777	30,698
Investments in property, plant and equipment	62	364	1,814	7,393	0
Equity	25,942	22,240	26,403	33,787	22,764
Ratios					
Return on equity (%)	15.4	(17.1)	(23.9)	57.5	45.2
Equity ratio (%)	26.6	20.2	22.8	31.3	74.2

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

Ratios	Calculation formula	Calculation formula reflects
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The Company's main activity is development, production and sale of advanced tank venting equipment for use aboard tank vessels. Service of tank venting equipment and pumps are an integral part of the Company's activity.

Development in activities and finances

Results for the year 2018/19 amounted to a profit of DKK 3,702k compared to a loss of DKK 4,163k for the year 2017/18. Management considers the performance for the year acceptable.

Profit/loss for the year in relation to expected developments

During the year, the Company has experienced earning growth as expected.

Outlook

The expectations for 2019/20 remain positive. Management expects positive profit in 2019/20.

Particular risks

The Company's most important business risk is linked to its ability to be strongly positioned on the markets in which the Company sells its products. During the financial year, the Company strengthened its position on these markets through group establishment with companies having a similar customer base.

Currency risks

The Company does most of its trade abroad, and a significant part of its revenue is invoiced in foreign currencies.

The Company evaluates on a current basis the need for use of financial instruments to hedge net positions and future transactions.

Liquidity

Management assesses that Pres-Vac Engineering A/S has the necessary funds available to meet the continued development of its activities.

Intellectual capital resources

Compared to the Company's operating risk, it is important to maintain a market leadership. This is done by attraction and continuous training and education of intellectual capital resources in accordance with market requirements as well as focused sale and marketing.

Environmental performance

The Company is eco-conscious and works on a current basis to improve the environmental impact of both its own operating activities as well as its customers.

Research and development activities

It is important to the Company to remain a market-leading manufacturer. This is done by current product development taking the market requirements into consideration.

Management commentary

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

	<u>Notes</u>	<u>2018/19</u> <u>DKK'000</u>	<u>2017/18</u> <u>DKK'000</u>
Gross profit		27,347	31,032
Staff costs	1	(20,570)	(31,458)
Depreciation, amortisation and impairment losses	2	<u>(1,734)</u>	<u>(2,600)</u>
Operating profit/loss		5,043	(3,026)
Income from investments in group enterprises		0	(72)
Other financial income from group enterprises		735	621
Other financial income		810	1,103
Financial expenses from group enterprises		(1,035)	(860)
Other financial expenses	3	<u>(807)</u>	<u>(3,082)</u>
Profit/loss before tax		4,746	(5,316)
Tax on profit/loss for the year	4	<u>(1,044)</u>	<u>1,153</u>
Profit/loss for the year	5	<u>3,702</u>	<u>(4,163)</u>

Balance sheet at 30.06.2019

	<u>Notes</u>	<u>2018/19</u> <u>DKK'000</u>	<u>2017/18</u> <u>DKK'000</u>
Completed development projects		3,954	5,103
Acquired intangible assets		405	301
Intangible assets	6	<u>4,359</u>	<u>5,404</u>
Plant and machinery		482	5,336
Other fixtures and fittings, tools and equipment		811	1,031
Leasehold improvements		309	438
Property, plant and equipment	7	<u>1,602</u>	<u>6,805</u>
Fixed assets		<u>5,961</u>	<u>12,209</u>
Raw materials and consumables		27,928	37,547
Work in progress		3,540	4,925
Manufactured goods and goods for resale		5,171	5,154
Inventories		<u>36,639</u>	<u>47,626</u>
Trade receivables		10,759	13,770
Receivables from group enterprises		41,980	31,860
Other receivables		973	1,074
Income tax receivable		863	3,029
Prepayments	8	259	388
Receivables		<u>54,834</u>	<u>50,121</u>
Cash		<u>0</u>	<u>327</u>
Current assets		<u>91,473</u>	<u>98,074</u>
Assets		<u>97,434</u>	<u>110,283</u>

Balance sheet at 30.06.2019

	<u>Notes</u>	<u>2018/19</u> <u>DKK'000</u>	<u>2017/18</u> <u>DKK'000</u>
Contributed capital	9	5,500	5,500
Reserve for development expenditure		1,074	1,408
Retained earnings		<u>19,368</u>	<u>15,332</u>
Equity		<u>25,942</u>	<u>22,240</u>
Deferred tax	10	1,017	1,348
Other provisions	11	<u>455</u>	<u>459</u>
Provisions		<u>1,472</u>	<u>1,807</u>
Current portion of long-term liabilities other than provisions		0	9,000
Bank loans		7,953	3,449
Prepayments received from customers		4,133	4,591
Trade payables		3,338	6,856
Payables to group enterprises		49,580	57,997
Income tax payable		1,375	0
Other payables		<u>3,641</u>	<u>4,343</u>
Current liabilities other than provisions		<u>70,020</u>	<u>86,236</u>
Liabilities other than provisions		<u>70,020</u>	<u>86,236</u>
Equity and liabilities		<u>97,434</u>	<u>110,283</u>
Contingent liabilities	12		
Assets charged and collateral	13		
Related parties with controlling interest	14		
Transactions with related parties	15		
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Statement of changes in equity for 2018/19

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	5,500	1,408	15,332	22,240
Profit/loss for the year	<u>0</u>	<u>(334)</u>	<u>4,036</u>	<u>3,702</u>
Equity end of year	<u>5,500</u>	<u>1,074</u>	<u>19,368</u>	<u>25,942</u>

Notes

	2018/19	2017/18
	DKK'000	DKK'000
1. Staff costs		
Wages and salaries	18,841	28,196
Pension costs	659	1,252
Other social security costs	341	495
Other staff costs	729	1,515
	20,570	31,458
Average number of employees	39	61

The Board of Directors and the Executive Board does not receive remuneration in Pres-Vac Engineering A/S.

	2018/19	2017/18
	DKK'000	DKK'000
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	1,190	1,265
Depreciation of property, plant and equipment	544	1,335
	1,734	2,600

	2018/19	2017/18
	DKK'000	DKK'000
3. Other financial expenses		
Other interest expenses	231	378
Exchange rate adjustments	576	2,704
	807	3,082

	2018/19	2017/18
	DKK'000	DKK'000
4. Tax on profit/loss for the year		
Current tax	1,375	(1,033)
Change in deferred tax	(331)	375
Adjustment concerning previous years	0	(495)
	1,044	(1,153)

Notes

	2018/19	2017/18
	DKK'000	DKK'000
5. Proposed distribution of profit/loss		
Retained earnings	3,702	(4,163)
	3,702	(4,163)
	Completed	Acquired
	develop-	intangible
	ment	assets
	projects	assets
	DKK'000	DKK'000
6. Intangible assets		
Cost beginning of year	5,737	322
Additions	0	145
Cost end of year	5,737	467
Amortisation and impairment losses beginning of year	(634)	(21)
Amortisation for the year	(1,149)	(41)
Amortisation and impairment losses end of year	(1,783)	(62)
Carrying amount end of year	3,954	405

Development projects

The capitalised development costs relate to the development of a new generation of valves that will entail lower production costs and ensure that our new valves comply with tightened regulatory requirements. The aim of the development project is to ensure that Pres-Vac's products remain leading in the market and that the market share remains high.

The development project includes continuing development of more products for Pres-Vac's portfolio. Several products have been placed on the market whereas others are expected to be launched within the next years.

Notes

	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve- ments DKK'000
7. Property, plant and equipment			
Cost beginning of year	7,422	1,408	598
Additions	0	62	0
Disposals	(6,191)	(74)	0
Cost end of year	1,231	1,396	598
Depreciation and impairment losses beginning of year	(2,086)	(377)	(160)
Depreciation for the year	(177)	(238)	(129)
Reversal regarding disposals	1,514	30	0
Depreciation and impairment losses end of year	(749)	(585)	(289)
Carrying amount end of year	482	811	309

8. Prepayments

Prepayments comprise sundry prepaid expenses, including insurance etc.

	Number	Par value DKK'000	Nominal value DKK'000
9. Contributed capital			
Shares	110,000	50	5,500
	110,000		5,500

Notes

	2018/19	2017/18
	DKK'000	DKK'000
10. Deferred tax		
Intangible assets	899	1,149
Property, plant and equipment	218	300
Provisions	(100)	(101)
	1,017	1,348
Changes during the year		
Beginning of year	1,348	
Recognised in the income statement	(331)	
End of year	1,017	

11. Other provisions

Other provisions include warranty provision.

	2018/19	2017/18
	DKK'000	DKK'000
12. Contingent liabilities		
Recourse and non-recourse guarantee commitments	110,959	23,568
Contingent liabilities in total	110,959	23,568
Recourse and non-recourse guarantee commitments	110,700	22,900
Contingent liabilities to group enterprises	110,700	22,900

Guarantees and other financial commitments for bank loans in group enterprises.

The Entity participates in a Danish joint taxation arrangement where G&O Investment A/S serves 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 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

Notes

13. Assets charged and collateral

Bank loans are secured by way of a deposited mortgage deed registered to the mortgagor on plant of DKK 1,700k nominal.

The carrying amount of mortgaged plant and machinery is DKK 482k and other fixtures and fittings DDK 811k.

The amount owed to Nordea is secured by way of a deposited letter of indemnity (company charge) of DKK 2,000 nominal.

The company charge comprises inventories of raw materials and semi-manufactured products, unsecured claims arising from trade receivables as well as goodwill, domain names and rights according to the Danish legislation on patents, trademarks, designs, utility models, copyright and protection of the design of semi-conductor products.

The carrying amount of assets covered by the company charge amounts to DKK 51,757k and is intangible assets of DKK 4,359k, inventories of DKK 36,639k and trade receivables of DKK 10,759k.

14. Related parties with controlling interest

The Company has registered the following shareholders to hold 100% of the voting capital or the nominal value of the share capital:

Gertsen & Olufsen A/S, Allerød, Denmark.

G&O Investment A/S hold 100% of the share capital in Gertsen & Olufsen A/S, Allerød, Denmark.

Erhvervsinvest III K/S hold the majority of share capital in G&O Investment A/S, Charlottenlund, Denmark.

15. Transactions with related parties

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.

16. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
G&O Investment A/S, Charlottenlund, Denmark.

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 112 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. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate 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 as well as out of the translation of

Accounting policies

income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are classified directly as equity.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, cost of raw materials and consumables and 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 from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

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.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

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

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Accounting policies

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 from group enterprises

Other financial income from group enterprises comprises interest income etc. on receivables from group enterprises.

Other financial income

Other financial income comprises interest income, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Financial expenses from group enterprises

Financial expenses from group enterprises comprise interest expenses etc. from payables to group enterprises.

Other financial expenses

Other financial expenses comprise interest expenses, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

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 all 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 and 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. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

Accounting policies

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. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 10 years.

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

Property, plant and equipment

Plant and machinery as well as 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:

Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	4-5 years

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.

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.

Accounting policies

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

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 or the planned settlement of each liability.

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.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

On acquisition of enterprises and investments in group enterprises, provisions are made for costs relating to restructuring in the acquired enterprise that were decided and published at the acquisition date at the latest.

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.

Accounting policies

Cash flow statement

The annual report does not include a cash flow statement, as this statement has been included in the consolidated cash flow statement of the parent.