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Pres-Vac Engineering A/S
Svanevang 3
3450 Allerød
Central Business Registration No
20545739

Annual report 2016/17

The Annual General Meeting adopted the annual report on 21.11.2017

Chairman of the General Meeting

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Name: Karsten Lindved

Contents

Entity details

Entity
Pres-Vac Engineering A/S
Svanevang 3
3450 Allerød

Central Business Registration No: 20545739
Registered in: Allerød
Financial year: 01.07.2016 - 30.06.2017

Website: www.pres-vac.dk
E-mail: presvac@pres-vac.com

Board of Directors
Søren Klarskov Vilby, Chairman
Thomas Marstrand, Vice-chairman
Kristian la Cour
Bo Kristensen
Liselotte Grønborg Lundberg

Executive Board
Bo Kristensen, Chief Executive Officer
Karsten Lindved

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 01.07.2016 - 30.06.2017.

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 30.06.2017 and of the results of its operations for the financial year 01.07.2016 - 30.06.2017.

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, 21.11.2017

Executive Board

Bo Kristensen Chief Executive Officer	Karsten Lindved

Board of Directors

Søren Klarskov Vilby Chairman	Thomas Marstrand Vice-chairman	Kristian la Cour
Bo Kristensen	Liselotte Grønborg Lundberg	

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 01.07.2016 - 30.06.2017, 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 30.06.2017 and of the results of its operations for the financial year 01.07.2016 - 30.06.2017 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, 21.11.2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Jørn Jepsen	Kim Ladegaard
statsautoriseret revisor	statsautoriseret revisor

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 2016/17 amounted to a loss of DKK 7,178k compared to a profit of DKK 16,245k for the year 2015/16.

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 2016/17

	Notes	2016/17 DKK'000	2015/16 DKK'000
Gross profit		**29,559**	**18,433**
Staff costs	1	(34,101)	(10,611)
Depreciation, amortisation and impairment losses	2	(2,554)	13,917
Operating profit/loss		**(7,096)**	**21,739**
Income from investments in group enterprises		(989)	(684)
Other financial income from group enterprises		650	95
Other financial income		1,405	16
Financial expenses from group enterprises		(600)	0
Other financial expenses		(2,286)	(133)
Profit/loss before tax		**(8,916)**	**21,033**
Tax on profit/loss for the year	3	1,738	(4,788)
Profit/loss for the year		**(7,178)**	**16,245**

Proposed distribution of profit/loss		
Transferred to reserve for net revaluation according to the equity method	0	(423)
Retained earnings	(7,178)	16,668
	(7,178)	**16,245**

Balance sheet at 30.06.2017

	Notes	2016/17 DKK'000	2015/16 DKK'000
Completed development projects		610	1,876
Acquired intangible assets		322	254
Development projects in progress		5,470	3,614
Intangible assets	4	**6,402**	**5,744**
Plant and machinery		6,396	6,428
Other fixtures and fittings, tools and equipment		855	822
Leasehold improvements		524	0
Property, plant and equipment	5	**7,775**	**7,250**
Investments in group enterprises		3,659	4,854
Deposits		0	107
Fixed asset investments	6	**3,659**	**4,961**
Fixed assets		**17,836**	**17,955**
Raw materials and consumables		38,618	27,203
Work in progress		7,082	11,099
Manufactured goods and goods for resale		3,415	7,504
Inventories		**49,115**	**45,806**
Trade receivables		16,048	17,395
Receivables from group enterprises		30,793	32,727
Other receivables		1,125	1,704
Prepayments		645	1,354
Receivables		**48,611**	**53,180**
Cash		**353**	**48**
Current assets		**98,079**	**99,034**
Assets		**115,915**	**116,989**

Balance sheet at 30.06.2017

	Notes	2016/17 DKK'000	2015/16 DKK'000
Contributed capital	7	5,500	5,500
Reserve for development expenditure		1,856	0
Retained earnings		19,047	28,287
Equity		**26,403**	**33,787**
Deferred tax		973	1,210
Other provisions		426	0
Provisions		**1,399**	**1,210**
Bank loans		9,000	20,000
Non-current liabilities other than provisions		**9,000**	**20,000**
Current portion of long-term liabilities other than provisions		11,000	0
Bank loans		7,629	7,225
Prepayments received from customers		3,723	2,930
Trade payables		7,611	13,770
Payables to group enterprises		40,414	25,272
Income tax payable		2,274	5,283
Other payables		6,462	7,512
Current liabilities other than provisions		**79,113**	**61,992**
Liabilities other than provisions		**88,113**	**81,992**
Equity and liabilities		**115,915**	**116,989**
Unrecognised rental and lease commitments	8		
Contingent liabilities	9		
Mortgages and securities	10		
Group relations	11		

Statement of changes in equity for 2016/17

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	5,500	0	28,287	33,787
Exchange rate adjustments	0	0	(206)	(206)
Transfer to reserves	0	1,856	(1,856)	0
Profit/loss for the year	0	0	(7,178)	(7,178)
Equity end of year	**5,500**	**1,856**	**19,047**	**26,403**

Notes

	2016/17 DKK'000	2015/16 DKK'000
1. Staff costs		
Wages and salaries	31,968	9,489
Pension costs	1,494	776
Other social security costs	584	141
Other staff costs	1,312	205
Staff costs classified as assets	(1,257)	0
	34,101	**10,611**
Average number of employees	**71**	

	2016/17 DKK'000	2015/16 DKK'000
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	1,266	135
Depreciation of property, plant and equipment	1,288	71
Profit/loss from sale of intangible assets and property, plant and equipment	0	(14,123)
	2,554	**(13,917)**

	2016/17 DKK'000	2015/16 DKK'000
3. Tax on profit/loss for the year		
Tax on current year taxable income	(1,501)	3,775
Change in deferred tax for the year	(237)	1,013
	(1,738)	**4,788**

Notes

	Completed development projects DKK'000	Acquired intangible assets DKK'000	Development projects in progress DKK'000
4. Intangible assets			
Cost beginning of year	1,876	254	3,614
Additions	0	68	1,856
Cost end of year	**1,876**	**322**	**5,470**
Amortisation for the year	(1,266)	0	0
Amortisation and impairment losses end of year	**(1,266)**	**0**	**0**
Carrying amount end of year	**610**	**322**	**5,470**

Development projects in progress

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 two years.

Notes

	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve-ments DKK'000
5. Property, plant and equipment			
Cost beginning of year	6,428	822	0
Transfers	(673)	221	451
Additions	1,667	0	147
Cost end of year	**7,422**	**1,043**	**598**
Depreciation for the year	(1,026)	(188)	(74)
Depreciation and impairment losses end of the year	**(1,026)**	**(188)**	**(74)**
Carrying amount end of year	**6,396**	**855**	**524**

	Investments in group enterprises DKK'000	Deposits DKK'000
6. Fixed asset investments		
Cost beginning of year	4,854	107
Disposals	0	(107)
Cost end of year	**4,854**	**0**
Exchange rate adjustments	(206)	0
Share of profit/loss for the year	(989)	0
Revaluations end of year	**(1,195)**	**0**
Carrying amount end of year	**3,659**	**0**

	Registered in	Corpo-rate form	Equity inte-rest %
Investments in group enterprises comprise:			
Pres-Vac Marine Equipment Co. Ltd. i likvidation	Kina	Ltd.	100,0

Notes

	Number	Par value DKK'000	Nominal value DKK'000
7. Contributed capital			
Aktier	110,000	50	5,500
	110,000		**5,500**

	2016/17 DKK'000	2015/16 DKK'000
8. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	**0**	**243**

	2016/17 DKK'000	2015/16 DKK'000
9. Contingent liabilities		
Recourse and non-recourse guarantee commitments	593	624
Contingent liabilities in total	**593**	**624**
Recourse and non-recourse guarantee commitments	21,207	84,483
Hereof contingent liabilities to group enterprises	**21,207**	**84,483**

The Entity participates in a Danish joint taxation arrangement in which 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 total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

10. Mortgages and securities

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 is DKK 6,395k and other fixtures and fittings DDK 855k.

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

Notes

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 accordingto the Danish legislation on patents, trademarks, designs, utility models, copyright and protection ofthe design of semi-conductor products.

The carrying amount of assets covered by the company charge amounts to DKK 71,566k and is intangible assets of DKK 6,403k, inventories of DKK 49,115k and trade receivables of DKK 16,048k.

11. Group relations
Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

G&O Investment A/S, Gentofte

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

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

Consolidated financial statements
Referring to section 112(2) 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, changes in inventories of finished goods and work in progress, cost of raw materials and consumables and 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 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.

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).

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
Amortisation, depreciation and impairment losses relating to intangible assets and 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 intangible assets as well as 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 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 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.

Accounting policies

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 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 the parent company and all its 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 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.

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 5 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.

Accounting policies

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:

Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-10 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.

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 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 10 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.

Accounting policies

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts as well as financing costs are recognised in the income statement as incurred.

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 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.

Other provisions
Other provisions comprise anticipated costs of non-recourse guarantee commitments 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.

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

Accounting policies

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