

Annual Report 2017

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report for 2017 of Brüel & Kjær Sound & Vibration Measurement A/S.

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

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 31 December 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report should be approved at the annual general meeting.

Nærum, 24 May 2018

Executive Board:



Søren Holst
CEO



Bjarne Grølsted-Kristensen
CFO

Board of Directors:



Eoghan O'Lionaird
Chairman



Clive Graeme Watson
Vice Chairman



Søren Holst



Bjarne Grølsted-Kristensen



Torben Bjørn



Lone Gundelach Kjeldsen
(Employee representative)



Tommy Markvad Larsen
(Employee representative)



Lars Birger Nielsen
(Employee representative)

Independent auditors' report

To the shareholders of Brüel & Kjær Sound & Vibration Measurement A/S

Opinion

We have audited the financial statements of Brüel & Kjær Sound & Vibration Measurement A/S for the financial year 1 January – 31 December 2017. The financial statements comprise income statement, balance sheet, statement of changes in equity and notes, including 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 Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 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 the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility 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 that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made 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 company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, 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's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

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

Copenhagen, 24 May 2018

DELOITTE

Statsautoriseret Revisionspartnerselskab

CVR-No: 33 96 35 56



Kirsten Aaskov Mikkelsen

State-Authorised Public Accountant

MNE No 21358

Management's review

Company details

Brüel & Kjær Sound & Vibration Measurement A/S
Skodsborgvej 307
2850 Nærum

Telephone: +45 77 41 20 00
Fax: +45 45 80 14 05
Web-site: www.bksv.com
E-mail: info@bksv.com
Registration No: 23 95 84 14
Established: 3 September 1957
Registered office: Rudersdal

Executive Board

Søren Holst, CEO
Bjarne Grølsted-Kristensen, CFO

Board of Directors

Eoghan O'Lionaird (chairman)
Clive Graeme Watson (vice chairman)
Søren Holst
Bjarne Grølsted-Kristensen
Torben Bjørn
Lone Gundelach Kjeldsen (employee representative)
Tommy Markvad Larsen (employee representative)
Lars Birger Nielsen (employee representative)

Auditor

DELOITTE Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 Copenhagen S

Annual General Meeting

The Annual General Meeting will be held on 24 May 2018 at the company's address.

Management's review

Financial highlights

DKK million	2017	2016	2015	2014	2013
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Key figures

Revenue	939.9	919.8	1,053.9	1,017.4	958.5
Ordinary operating profit	125.9	157.2	209.3	182.6	125.2
Profit/loss from financial items	-5.7	0.3	1.9	-3.1	-4.9
Profit for the year	93.4	122.7	162.0	135.7	88.4

Fixed assets	141.0	151.1	154.5	160.6	164.3
Current assets	434.8	417.9	476.8	448.2	398.9
Total assets	575.8	569.0	631.3	608.8	563.2
Share capital	102.0	102.0	102.0	102.0	102.0
Equity	288.9	318.2	356.8	344.3	312.5
Provisions	16.5	17.5	16.0	11.5	9.5
Long-term liabilities other than provisions	-	-	-	-	-
Short-term liabilities other than provisions	270.4	233.3	258.4	253.0	241.2

Financial ratios

Operating margin	13 %	17 %	20 %	18 %	13 %
Equity ratio	50 %	56 %	57 %	57 %	55 %
Return on equity	31 %	36 %	46 %	41 %	25 %

Average number of employees	447	462	478	486	490
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The financial ratios have been prepared in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios". The financial ratios have been calculated as follows:

$$\text{Operating margin} = \frac{\text{Operating profit} \times 100}{\text{Revenue}}$$

$$\text{Equity ratio} = \frac{\text{Equity, at year end} \times 100}{\text{Total equity \& liabilities at year end}}$$

$$\text{Return on equity} = \frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$$

Management's review

Operating Review

Principal Brüel & Kjær Activities

Brüel & Kjær Sound & Vibration Measurement A/S (Brüel & Kjær) develops and markets products and services relating to sound and vibration.

The company undertakes the developing, manufacturing and marketing directly from the factory in Nærum, Denmark. Sales takes place through a network of affiliated sales companies and agents.

Brüel & Kjær Sound & Vibration Measurement A/S is managed together with other affiliated companies as part of the Global Brüel & Kjær business unit in the Spectris group. The legal ownership of other affiliated companies lies elsewhere within Spectris plc.

Development in Activities and Financial Position

Sales and profit increased marginally in 2017. Total sales increased 2% while gross profit increased by 1% compared to 2016. Profit before tax for the year was 120 million DKK, compared to 158 million DKK in 2016, that is a decrease of 24%.

Equity amounts to 288.9 million DKK at the end of the year. The company's financial position remains strong with an equity ratio around 50%. The average return on equity was 31% compared to 36% in 2016.

The 2017 result is not considered to be satisfactory compared to expectations.

Research and Development Activities

Our research and development activities continue to focus on improving our solutions to further enhance our competitiveness in the core market segments. Our research team is involved in a number of international, cooperative research projects with major customers, universities and other partners.

Management's review

Risk Management

General Risks

The company is continuously looking for ways to minimise its business risks. So far we have successfully maintained our prices by focusing on differentiating our product offerings from competition, both in terms of quality and performance.

On the supply side, we continue to maintain our technical advantage by having close relationships with major suppliers. In addition, a larger part of the company's products are manufactured in the Far East, which contributes to ensuring competitive prices and minimising production capacity challenges at the Nærum factory.

Financial Risks

Foreign Exchange

It is our policy to let our sales and production companies operate in their local currency wherever possible. This means that Brüel & Kjær takes the majority of the exchange risk relating to cash flows arising from transactions between the factory and the affiliated companies. As in previous years, Brüel & Kjær has used Forward Exchange Contracts to ensure a part of its most important currency risks.

Interest

The cash and bank debt of the company are at interest rates approximating to current market rates. The cash position with the holding company is at interest rates pegged to market rates, which are varied when necessary.

Credit

Receivables are mainly trade receivables with customers worldwide and other group companies. Brüel & Kjær adopts a conservative approach to credit control and credit rates all of its customers. The occurrence of losses on debtors is therefore small.

Intellectual Capital

All Brüel & Kjær employees are important contributors to the business – from developing a Brüel & Kjær product to implementing solutions for our customers. We focus on maintaining and developing our employees to ensure continuity in our product development.

Management's review

Environmental Issues

Brüel & Kjær A/S recognizes the principle of sustainable development, and has consequently established an Environmental Management System with the purpose of

- managing all significant environmental aspects of activities, products and services, and thereby controlling the environmental impact from our activities and preventing pollution
- continually improving the overall environmental performance and encouraging suppliers to do the same
- creating sustainable value for our customers by helping them solve their sound and vibration challenges

In this way Brüel & Kjær A/S commits to environmental responsibility in order to meet all legal requirements as well as the requirements of our customers.

The Company has an ISO 14001 certification.

Outlook

The macroeconomic outlook for most of our key markets are slightly positive compared to 2017. We expect that this, combined with a number of sales-enhancing activities, will have a favourable effect on our sales compared with prior year.

The divestment of EMS will per note 18 reduce the earning in 2018 compared to 2017.

Corporate Social Responsibility

In regards to statutory compliance for social responsibility i.e. §99 a, Brüel & Kjær A/S has no policies on corporate social responsibility. In relation to environment an Environmental Management System has been established.

The ultimate parent company of the group, Spectris Plc., has in its published annual report for 2017 set out the Corporate Social Responsibility for the group. Please refer to the annual report 2017 for Spectris Plc. and further details at: <http://www.spectris.com/investors/reports-results-and-presentations/2018>.

Goals and policies for the underrepresented gender

Brüel & Kjær believes that members of the Board of Directors and other management levels should be chosen for their overall competences. The Board of Directors also recognizes the benefits of a diverse management group in respect of experience, style, culture, education, international background and gender.

It is the company's policy to attract, develop and maintain qualified candidates for all open positions including management positions. Women and men are invited equally to apply for all relevant positions and take responsibility for their own learning and development.

When recruiting externally for management positions it is a requirement that both male and female candidates are presented to the company, even though the company operates in a male dominated environment. A similar procedure is implemented for internal candidates.

To support the target of a more even gender distribution, the company has started initiatives to support the development of leadership potential among women. A specific Competency & Talent Program has been rolled out in 2016 focusing on current managers and talent below manager level. Further, an organizational review across functions and level has been introduced. This creates visibility of female talent and opportunities across the organization.

The proportion of the underrepresented gender for the board of directors was 0% in 2017. The objective is to increase the percentage for the board of directors to 20% in 2019 (1 out of 5 members). Employee representatives do not count in this calculation.

Brüel & Kjær S&V A/S's objective is to increase the proportion of the underrepresented gender on all management levels. In 2016 the objective was to increase the proportion from 25% to 27% by 2020. In 2017 the proportion increased to 28%. Therefore, the revised objective is to increase the proportion to 30% by 2020.

Branches

The company has a branch in Sweden, which is responsible for sales in the Swedish market. Figures related to the Swedish branch are included in the annual report.

Financial statements for the period 1 January - 31 December

Income statement

DKK'000	Note	2017	2016
Revenue	2	939,886	919,831
Production costs		-423,800	-407,812
Gross profit		516,086	512,019
Other external costs		-123,694	-106,339
Staff costs	3	-252,782	-233,598
Depreciation and amortisation	4, 5	-15,831	-14,878
Profit on ordinary activities		123,779	157,204
Other operating income		2,154	65
Operating profit		125,933	157,269
Financial income	6	69	339
Financial expenses	7	-5,776	-16
Profit for the year before tax		120,226	157,592
Tax on profit for the year	8	-26,827	-34,926
Profit for the year	9	93,399	122,666

Financial statements for the period 1 January - 31 December
Balance sheet

DKK'000	Note	2017	2016
ASSETS			
Fixed assets			
Intangible assets	4		
Software		14,311	18,698
		<u>14,311</u>	<u>18,698</u>
Property, plant and equipment	5		
Land and buildings		105,891	109,936
Production plant and machinery		12,197	14,309
Fixtures and fittings, tools and equipment		6,540	8,110
Property, plant and equipment under construction		2,049	-
		<u>126,677</u>	<u>132,355</u>
Total fixed assets		<u>140,988</u>	<u>151,053</u>
Current assets			
Inventories			
Raw materials and consumables		46,377	46,258
Goods in progress		9,627	7,500
Finished goods and consumables		83,637	77,928
		<u>139,641</u>	<u>131,686</u>
Receivables			
Contract work in progress	10	-	4,561
Trade receivables		63,421	69,902
Receivables from affiliates		220,179	203,331
Other receivables		4,893	1,946
Prepayments	11	6,649	6,495
		<u>295,142</u>	<u>286,235</u>
Total current assets		<u>434,783</u>	<u>417,921</u>
TOTAL ASSETS		<u><u>575,771</u></u>	<u><u>568,974</u></u>

Financial statements for the period 1 January - 31 December
Balance sheet

DKK'000	Note	2017	2016
EQUITY AND LIABILITIES			
Equity			
Share capital	12	102,000	102,000
Retained earnings		186,946	91,150
Proposed dividends		-	125,000
Total equity		288,946	318,150
Provisions			
Deferred tax	13	8,270	7,548
Other provisions	14	8,200	9,964
Total provisions		16,470	17,512
Short-term liabilities other than provisions			
Amounts owed to affiliates		108,128	72,463
Prepayments on contract work in progress	10	669	844
Prepayments from customers		8,193	8,600
Trade payables		45,498	59,620
Other payables		90,004	77,359
Deferred income		17,863	14,426
Total liabilities other than provisions		270,355	233,312
TOTAL EQUITY AND LIABILITIES		575,771	568,974
Contractual obligations, contingencies etc.	15		
Financial instruments	16		
Related parties	17		
Subsequent events	18		

Financial statements for the period 1 January - 31 December
Statement of changes in equity

DKK'000	2017	2016
Equity at 1 January	318,150	356,810
Dividends paid	-125,000	-162,000
Value adjustment of forward exchange contracts	3,148	1,014
Tax on equity transactions	-693	-251
Currency adjustment of branch in Sweden	-58	-89
Profit for the year	93,399	122,666
Equity at 31 December	288,946	318,150

Equity can be specified as follows:

Share capital at 1 January	102,000	102,000
Retained earnings at 1 January	91,150	92,810
Value adjustment of forward exchange contracts	3,148	1,014
Tax on equity transactions	-693	-251
Currency adjustment of branch in Sweden	-58	-89
Transferred from proposed appropriation of profit	93,399	-2,334
Retained earnings at 31 December	186,946	91,150
Proposed dividends at 1 January	125,000	162,000
Dividends paid during the year	-125,000	-162,000
Proposed dividends	-	125,000
Proposed dividends at 31 December	-	125,000
Equity at 31 December	288,946	318,150

Financial statements for the period 1 January - 31 December

Notes

1 Accounting policies

The Annual Report of Brüel & Kjær Sound & Vibration Measurement A/S for 2017 has been prepared in accordance with the provisions applying to class C enterprises (large) under the Danish Financial Statements Act.

Pursuant to Section 86 (4) of the Financial Statements Act, the Company has not prepared a cash flow statement. Further pursuant to Section 96 (3) of the Financial Statement Act, the company has not disclosed fee for auditors appointed at the general meeting.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when value of the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

Certain financial assets and liabilities are measured at amortised cost implying the recognition of a constant effective interest rate to maturity. Amortised cost is calculated as initial cost minus any principal repayments and plus or minus the cumulative amortisation of any difference between cost and nominal amount.

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the Annual Report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortised cost. Equally, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement.

Financial statements for the period 1 January - 31 December

Notes

1 Accounting policies (continued)

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the exchange rates at the transaction date.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised in other receivables or other payables and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects profit or loss.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement.

Financial statements for the period 1 January - 31 December

Notes

1 Accounting policies (continued)

Income statement

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement provided that delivery and transfer of risk to the buyer has taken place before year end and that the income can be reliably measured and is expected to be received. The net revenue from sale of service contracts is recognised in the income statement over the term of the individual contracts.

Construction contracts are recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (the percentage of completion method). When the income from a construction contract cannot be estimated reliably, revenue is recognized only corresponding to the costs incurred to the extent that it is probable that they will be recovered.

Revenue is measured ex VAT, taxes and discounts in relation to the sale.

Production costs

Production costs comprise costs incurred in generating the revenue for the year. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries.

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Other operating income and costs

Other operating income and costs comprise items of a nature secondary to that of the principal activities of the enterprises.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Financial statements for the period 1 January - 31 December

Notes

1 Accounting policies (continued)

Tax on profit for the year

The parent company Spectris Denmark ApS is the administrative company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

The current Danish corporation tax is allocated by settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carry forwards receive joint taxation contribution from companies that have used these losses to reduce their own taxable profits.

The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Intangible fixed assets

Software

Software is measured at cost less accumulated amortisation and impairment losses. Software is amortised on a straight-line basis over the expected useful life of 3 to 5 years.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal.

Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Tangible fixed assets

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub suppliers, and wages and salaries.

Financial statements for the period 1 January - 31 December

Notes

1 Accounting policies (continued)

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Buildings	40 years
Plant and machinery	10 years
Fixtures and fittings, tools and equipment	3-10 years

Property, plant and equipment are written down to the recoverable amount if this is lower than the carrying amount.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the sales price less disposal costs and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement as other external costs.

Leases

On initial recognition, leases for fixed assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are recognised in the balance sheet at cost, corresponding to the lower of fair value and the net present value of future lease payments. In calculating the net present value of future lease payments the interest rate implicit in the lease or a rate that approximates this rate is used as the discount factor. Assets held under finance leases are depreciated as the Company's other fixed assets.

The capitalised residual obligation is recognised in the balance sheet as a liability and the interest element of the lease payments is recognised in the income statement over the term of the lease.

All other leases are treated as operating leases. Payments relating to operating and other leases are recognised in the income statement over the term of the lease. The Company's total liabilities relating to operating and other leases are disclosed under contingencies and securities, etc.

Impairment of assets

The carrying amount of intangible assets, property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted on individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

Financial statements for the period 1 January - 31 December

Notes

1 Accounting policies (continued)

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the expected net cash flows from the use of the asset or the group of assets.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not recognised in cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected sales price.

Contract work in progress

Contract work in progress is measured at sales value of the work performed less progress billing and expected loss.

The sales value is recognised based on an evaluation of the completion rate at year end and the expected income earned from the individual contract. The completion rate is determined based on an individual evaluation of the work performed on each contract.

If it is expected that all costs on an individual contract will exceed the total income, the expected loss is recognised as a cost in the income statement when recognised. If the value of an individual contract cannot be measured reliably, the sales value is measured only as costs incurred to the extent that it is likely that they will be recovered.

If the value of work performed on individual contracts is higher than the progress billing and expected loss, the value is recognised as trade receivables. If the value of work performed on individual contracts are below the expected sales value and loss, the value is recognised as a provision.

Financial statements for the period 1 January - 31 December

Notes

1 Accounting policies (continued)

Pre-payments from customers are recognised as provisions.

Sales costs and costs incurred in securing contracts are recognised in the income statement when incurred.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses when there is objective evidence that a receivable has been impaired. If there is objective evidence that an individual receivable has been impaired, write-down is made on an individual basis.

Write-downs are calculated as the difference between the carrying amount and the present value of the expected cash flows, including the realisable value of any received collateral.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity - Dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

The joint taxation system means that the company's tax obligation is settled when payment to the administration company (Spectris Denmark ApS) are made.

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Where different tax rules can be applied to determine the tax base, deferred tax is measured based on Management's planned use of the asset or settlement of the liability, respectively.

Financial statements for the period 1 January - 31 December

Notes

1 Accounting policies (continued)

Deferred tax assets, including the tax base of tax loss carry forwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Change in deferred tax as a consequence of changed tax rate is recognised in the income statement.

Other provisions

Provisions comprise anticipated costs related to warranties and deferred tax. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation.

Warranties comprise obligations to make good any defects within the warranty period. Provisions for warranties are measured and recognised based on past experience.

Financial liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Financial liabilities also include the capitalised residual obligation on finance leases.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income comprises payments received concerning income in subsequent years.

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Notes

DKK'000	2017	2016
2 Revenue		
Domestic	31,194	26,879
Foreign	908,692	892,952
	939,886	919,831
 3 Staff costs		
Wages and salaries	270,096	256,737
Pensions	16,394	16,217
Social security costs	1,604	1,159
Other staff costs	12,237	9,091
	300,331	283,204
Wages related to the construction of plant and machinery and indirect production overheads on inventories	-47,549	-49,606
	252,782	233,598
 Average number of employees	447	462

The Company has set up a bonus plan for executive employees. The value of the bonus plan is based on earnings in the global Brüel & Kjær organisation. Further, the Company's Executive Board and a number of key employees are included in the incentive programme with Spectris Plc. in the UK, according to which share options in Spectris Plc. are issued based on the results for the last 3 years and the development in Spectris Plc.'s share price. In the financial year the Executive Board has not exercised share options under this programme.

Staff costs comprise remuneration, pension, bonus plan and company car for the Executive Board totalling DKK 6,623 thousand (2016: DKK 4,258 thousand) and total remuneration for the Board of Directors of DKK 75 thousand (2016: DKK 75 thousand). The increase is related to bonuses.

Financial statements for the period 1 January - 31 December

Notes

DKK'000

4 Intangible assets

	Software
Cost at 1 January 2017	53,978
Additions	741
Disposals	-
Cost at 31 December 2017	54,719
Amortisation and impairment at 1 January 2017	35,280
Amortisation and impairment	5,128
Disposals	-
Amortisation and impairment at 31 December 2017	40,408
Carrying amount at 31 December 2017	14,311
Amortisation period	3-5 years

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Notes

DKK'000

5 Property, plant and equipment

	Land and build- ings	Produc- tion plant and machin- ery	Fixtures and fit- tings, tools and equip- ment	Property, plant and equip- ment un- der con- struction	Total
Cost at 1 January 2017	186,560	55,519	30,417	-	272,496
Transfers	-	-	-	-	-
Additions	-	723	2,252	2,049	5,024
Disposals	-	-24	-24	-	-48
Reclasses	-	-	-	-	-
Cost at 31 December 2017	186,560	56,218	32,645	2,049	277,472
Depreciation and impairment at 1 January 2017	76,624	41,210	22,307	-	140,141
Depreciation	4,045	2,835	3,822	-	10,702
Disposals	-	-24	-24	-	-48
Reclasses	-	-	-	-	-
Depreciation and impairment at 31 December 2017	80,669	44,021	26,105	-	150,795
Carrying amount at 31 Decem- ber 2017	105,891	12,197	6,540	2,049	126,677
Depreciation period	40 years	10 years	3-10 years	-	-

6 Financial income

 Interest income, other
Exchange rate gains

	2017	2016
Interest income, other	69	-
Exchange rate gains	-	339
	69	339

Financial statements for the period 1 January - 31 December
Notes

DKK'000	2017	2016
7 Financial expenses		
Interest expenses, group companies	-	13
Interest expenses, other	1	3
Exchange rate losses	5,775	-
	5,776	16
8 Tax on profit for the year		
Joint taxation contribution	-25,632	-33,149
Other current taxes	-498	-390
Adjustment of tax relating to previous years	25	60
Deferred tax for the year	-722	-1,447
	-26,827	-34,926
Specification of tax on profit for the year		
Current tax/joint taxation contribution	-26,015	-33,479
Deferred tax	-722	-1,447
	-26,827	-34,926
Tax recognition		
Tax on profit for the year	-26,827	-34,926
Tax on equity movements	-693	-251
	-27,520	-35,177
9 Proposed distribution of profit		
Proposed dividends	-	125,000
Retained earnings	93,399	-2,334
	93,399	122,666

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DKK'000

2017
2016
10 Contract work in progress

Sales value of contract work in progress	6,894	25,101
Invoiced on account on contract work in progress	-7,563	-21,384
	<u>-669</u>	<u>3,717</u>

The transactions are recognised as follows

Contract work in progress (assets)	-	4,561
Prepayment on contract work in progress (liabilities)	-669	-844
	<u>-669</u>	<u>3,717</u>

11 Prepayments

Insurance premiums	-	50
Prepaid software-licenses	4,418	4,836
Other	2,231	1,609
	<u>6,649</u>	<u>6,495</u>

12 Share capital

The share capital consists of 102,000 shares of DKK 1,000. All shares have the same voting rights.

The share capital is unchanged in the last five financial years.

Financial statements for the period 1 January - 31 December
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DKK'000

2017

2016

13 Deferred tax

Deferred tax at 1 January	7,548	6,101
Adjustment for the year	722	1,447
Deferred tax at 31 December	<u>8,270</u>	<u>7,548</u>

Provision for deferred tax relate to:

Intangible asset	-	-110
Property, plant and equipment	3,194	2,500
Current assets	6,422	6,419
Provisions	-1,346	-1,261
Deferred tax at 31 December	<u>8,270</u>	<u>7,548</u>

14 Other provisions

Warranty provision at 31 December	<u>8,200</u>	<u>9,964</u>
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The warranty provision is expected to be used in full within one year.

15 Contractual obligations, contingencies, etc.

Rent and lease obligations (operating leases) falling due within five years total DKK 764 thousand (2016: DKK 834 thousand).

Obligations regarding guarantees made for customers amount to DKK 18,619 thousand (2016: DKK 13,746 thousand).

Obligations concerning specific purchase orders and committed forecasts submitted to suppliers amounts to DKK 53,900 thousand (2016: DKK 55,700 thousand).

The company participates in the Danish joint taxation group alongside the Danish parent company and other Danish subsidiaries owned by Spectris Plc. The company is jointly but unlimited liable for all claims for Danish company taxes within the Danish joint taxation group.

Financial statements for the period 1 January - 31 December

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DKK'000

16 Financial instruments

Currency	Period	2017		2016	
		Contract value	(Gain) and loss recognised in equity	Contract value	(Gain) and loss recognised in equity
DKK/USD	0-12 months	97,539	-1,235	0-12 months	97,710 744
DKK/JPY	0-12 months	58,710	-688	0-12 months	53,720 -857
GBP/DKK	0-12 months	49,780	-393	0-12 months	42,791 945
		<u>206,029</u>	<u>-2,316</u>	<u>194,221</u>	<u>832</u>

17 Related parties

Control

The ultimate parent company of the group:

Spectris plc.
Heritage House, Church Road
Egham, Surrey TW20 9QD
England

www.spectris.com

Ownership

Principal shareholder:

Spectris Denmark ApS
Skodsborgvej 307
2850 Nærum
Denmark

A copy of the consolidated financial statements of Spectris plc. can be obtained from Brüel & Kjær Sound & Vibration Measurement A/S, Skodsborgvej 307, 2850 Nærum, Denmark.

Financial statements for the period 1 January - 31 December

Notes

Related party transactions

According to the Danish Financial Statements Act Section 98c, 7 the Company has not disclosed transactions with related parties, as these are carried out on an arm's length basis.

18 Subsequent events

On 14 December 2017 Spectris plc announced that Macquarie Group will acquire 50% of Spectris' environmental monitoring business EMS Brüel & Kjær. The sale is expected to close in Q2 2018 and will impact the financial statements of Brüel & Kjær A/S. The estimated annual impact is a reduction of revenue of approximately 48 million DKK and a reduction of operating profit of approximately 7,0 million DKK. The number of employees related to the EMS business is 16.

On 18 April 2018 Spectris plc announced that the Global Brüel & Kjær business unit will merge with HBM, another Global business unit in the Spectris group. Merger preparation activities will be undertaken until end of 2018. At this time the merger is not expected to have material impact on the financial statements of Brüel & Kjær A/S. The new business unit will be named HBK, Hottinger Brüel & Kjær.

No other subsequent events, that could have a material impact on the Annual Report for 2017, have occurred after 31 December 2017.