

Annual Report 2019

Date / Name of chairman of the meeting:

8 July 2020

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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 2019 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 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019.

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, 8 July 2020

Executive Board:


Steen Pinnerup (8. Jul 2020 14:02 GMT+2)
Steen Pinnerup
Director


Torben Bjørn
Director

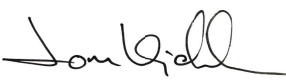
Board of Directors:



Joseph Michael Vorih (8. Jul 2020 07:51 EDT)
Joseph Michael Vorih
Chairman



Sanne Kjærsgaard Hjordrup
Vice chairman


Steen Pinnerup (8. Jul 2020 14:02 GMT+2)
Steen Pinnerup


Torben Bjørn


Lone Gundelach Kjeldsen
(Employee representative)


Tommy Markvard Larsen
(Employee representative)


Martin Olsen (8. Jul 2020 17:02 GMT+2)
Martin Qvist Olsen
(Employee representative)

Independent auditor's report

To the shareholder 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 2019. 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 financial position at 31 December 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 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 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.

Auditor's 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, 8 July 2020

DELOITTE

Statsautoriseret Revisionspartnerselskab

CVR-No: 33 96 35 56

Kirsten Aaskov Mikkelsen

Kirsten Aaskov Mikkelsen (8. Jul 2020 14:59 GMT+2)

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

Steen Pinnerup, director
Torben Bjørn, director

Board of Directors

Joseph Michael Vorih (chairman)
Sanne Kjærsgaard Hjordrup (vice chairman)
Steen Pinnerup
Torben Bjørn
Lone Gundelach Kjeldsen (employee representative)
Tommy Markvard Larsen (employee representative)
Martin Qvist Olsen (employee representative)

Auditor

DELOITTE Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 Copenhagen S

Annual general meeting

The Annual General Meeting will be held on 8 July 2020 at the company's address.

Management's review

Financial highlights

DKK million	2019	2018	2017	2016	2015
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Key figures

Revenue	820.9	895.9	939.9	919.8	1,053.9
Ordinary operating profit	61.4	119.0	125.9	157.2	209.3
Profit/loss from financial items	-6.3	-3.9	-5.7	0.3	1.9
Profit for the year	42.5	89.6	93.4	122.7	162.0

Intangible assets	24.3	21.4	14.3	18.7	16.5
Tangible assets	120.1	120.0	126.7	132.4	138.0
Current assets	352.8	345.0	434.8	417.9	476.8
Total assets	497.2	486.4	575.8	569.0	631.3
Share capital	102.0	102.0	102.0	102.0	102.0
Equity	279.4	234.7	288.9	318.2	356.8
Provisions	18.7	22.7	16.5	17.5	16.0
Short-term liabilities other than provisions	199.1	229.0	270.4	233.3	258.5

Financial ratios

Operating margin	7 %	13 %	13 %	17 %	20 %
Equity ratio	56 %	48 %	50 %	56 %	57 %
Return on equity	17 %	34 %	31 %	36 %	46 %

Average number of employees	439	449	447	462	478
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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 Hottinger 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

Total sales decreased with 8% and gross profit with 14% compared to 2018.

Without the impact of the EMS business disposal at 31 May 2018 sales decreased 7% while gross profit decreased by 12% compared to 2018.

Profit before tax for the year was 55 million DKK compared to 115 million DKK in 2018, a decrease of 52%. 2018 profit included a profit on disposal of the EMS business of 20.7 million DKK.

Equity amounts to 279.4 million DKK at the end of the year. The company's financial position remains strong with an equity ratio at 56%.

The planned merger activities of the Brüel & Kjær business with another global business unit in the Spectris group, Hottinger Baldwin Messtechnik GmbH, HBM, have not impacted the financial statement for 2019 since the companies operate in existing structures. The merged business unit is named HBK, Hottinger Brüel & Kjær.

The 2019 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, through a number of activities, addressing commercial, operational and financial risks.

Financial risks

Currency

Brüel & Kjær is exposed to currency risks via our exposures in various markets. Currency risks are mitigated by using a combination of natural hedges and financial instruments. Brüel and Kjær uses Forward Exchange Contracts and the exposure for the company is with Spectris plc while market exposure lies with Spectris plc.

Interest

The cash and debt positions of the company are exposed to global interest rate fluctuations. Group cash pooling structures are reflecting market rates.

Credit

Receivables are mainly trade receivables with customers worldwide and other group companies. Brüel & Kjær adopts a conservative approach to credit control. Customers are credit rated continuously to mitigate debtor risks.

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 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
- continuously improving the overall environmental performance and encouraging stakeholders to do the same
- creating sustainable value for our customers by helping them solve their sound and vibration challenges

In this way Brüel & Kjær 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 outbreak of the COVID-19 pandemic has impacted the order intake and revenue significantly in first half of 2020. For the second half of 2020 the slowdown is expected to remain significant.

The company has applied for subsidies provided by the Danish government, to mitigate the negative impact on earnings of the COVID-19. Additional measures have been taken to adjust production capacity to the current volumes and managing potential risk pertaining to inventories and trade receivables.

Before the outbreak of the COVID-19 the management expected a revenue and a profit before tax for 2020 slightly better than reported in 2019. As a consequence of the COVID-19 outbreak the management has revised the outlook for 2020 and now expects revenue and profit before tax at lower levels.

Please refer to note 19 in the annual report for 2019.

Management's review

Corporate social responsibility

Regarding section 99a and 99b of the Danish Financial Statements Act:

Brüel & Kjær is acutely aware of our role as a member of society at a local as well as at a global level. Brüel & Kjær therefore makes targeted efforts to ensure that our business operations and activities are developed in a financially, socially and environmentally responsible manner.

As a member of the Spectris group of companies, whose ultimate parent Spectris plc (www.spectris.com) is listed on the London Stock Exchange, Brüel & Kjær follows the Corporate Social Responsibility related principles set out in the Spectris Code of Business Ethics (available for download at: <https://www.bksv.com/en/about/Business-ethics>). In order to monitor and reduce the environmental impact of Brüel & Kjær's operations, an Environmental Management System has been established.

Spectris plc has published information regarding the Corporate Social Responsibility standards and activities of the Spectris group in its annual report (available for download at: <https://www.spectris.com/investors/results-reports-and-presentations/year/2020>). Further information on the groups' Corporate Social Responsibility standards and activities is available on the Spectris webpage (see details at: <https://www.spectris.com/sustainability>).

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. A similar procedure is implemented for internal candidates.

To support the target of a more even gender distribution, an organizational review process across functions and level was introduced in 2016. This creates visibility of female talent and opportunities across the organization.

Management's review

The proportion of the underrepresented gender for the Board of Directors was 25% in 2019 (1 out of 4 members), hence meeting the objective of 20% by 2020. Employee representatives are not included in the standard ratio calculation.

Brüel & Kjær's objective is to increase the proportion of the underrepresented gender on all management levels. In 2017 the proportion increased to 28% and for 2018 the proportion decreased to 22%. In 2019 the proportion increased to 27%. The company remains vigilant and targets to increase the proportion to 30% by 2021.

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	2019	2018
Revenue	1	820,854	895,857
Production costs		-392,656	-400,476
Gross profit		428,198	495,381
Other operating income	2	1,085	23,498
Other external costs		-111,923	-130,291
Staff costs	3	-240,610	-254,984
Depreciation	4, 5	-15,306	-14,606
Operating profit		61,444	118,998
Financial income	6	2	21
Financial expenses	7	-6,324	-3,925
Profit for the year before tax		55,122	115,094
Tax on profit for the year	8	-12,615	-25,478
Profit for the year	9	42,507	89,616

Financial statements for the period 1 January - 31 December

Balance sheet

DKK'000	Note	2019	2018
ASSETS			
Fixed assets			
Intangible assets			
	4		
Software		7,797	10,892
R&D assets		16,543	10,599
		<u>24,340</u>	<u>21,491</u>
Property, plant and equipment			
	5		
Land and buildings		99,242	101,937
Production plant and machinery		15,283	12,635
Fixtures and fittings, tools and equipment		2,546	3,033
Property, plant and equipment under construction		3,030	2,349
		<u>120,101</u>	<u>119,954</u>
Total fixed assets		<u>144,441</u>	<u>141,445</u>
Current assets			
Inventories			
Raw materials and consumables		59,520	53,086
Goods in progress		14,723	12,755
Finished goods and consumables		82,339	84,591
		<u>156,582</u>	<u>150,432</u>
Receivables			
Trade receivables		71,984	72,676
Receivables from affiliates		114,567	108,115
Other receivables		2,672	6,008
Prepayments	10	6,966	7,788
		<u>196,189</u>	<u>194,587</u>
Total current assets		<u>352,771</u>	<u>345,019</u>
TOTAL ASSETS		<u>497,212</u>	<u>486,464</u>

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

DKK'000	Note	2019	2018
EQUITY AND LIABILITIES			
Equity			
Share capital	11	102,000	102,000
Retained earnings		177,433	272,726
Extraordinary dividends paid		-	-140,000
Total equity		279,433	234,726
Provisions			
Deferred tax	12	13,031	11,228
Other provisions	13	5,700	7,100
Total provisions		18,731	18,328
Short-term liabilities other than provisions			
Amounts owed to affiliates		52,784	80,567
Prepayments on contract work in progress	14	262	600
Prepayments from customers		4,387	5,055
Trade payables		42,356	47,487
Other payables		81,529	79,974
Deferred income	15	17,730	19,727
Total liabilities other than provisions		199,048	233,410
TOTAL EQUITY AND LIABILITIES		497,212	486,464
Contractual obligations, contingencies etc.	16		
Financial instruments	17		
Related parties	18		
Subsequent events	19		

Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK'000	2019	2018
Equity at 1 January	234,726	288,946
Extraordinary dividends paid	0	-140,000
Value adjustment of forward exchange contracts	2,900	-4,790
Tax on equity transactions	-638	1,053
Currency adjustment of branch equity	-62	-99
Profit for the year	42,507	89,616
Equity at 31 December	279,433	234,726

Equity can be specified as follows:

Share capital at 1 January	102,000	102,000
Retained earnings at 1 January	132,726	186,946
Value adjustment of forward exchange contracts	2,900	-4,790
Tax on equity transactions	-638	1,053
Currency adjustment of branch equity	-62	-99
Transferred from proposed appropriation of profit	42,507	-50,384
Retained earnings at 31 December	177,433	132,726
Proposed dividends at 1 January	-	-
Extraordinary dividends paid during the year	-	-140,000
Proposed dividends	-	140,000
Proposed dividends at 31 December	-	-
Equity at 31 December	279,433	234,726

The Board of Directors recommend the General Assembly to approve that no dividends for the year are distributed.

Financial statements for the period 1 January - 31 December

Accounting policies

The Annual Report of Brüel & Kjær Sound & Vibration Measurement A/S for 2019 has been prepared in accordance with the provisions applying to class C enterprises (large) under the Danish Financial Statements Act. The accounting policies applied to these financial statements are consistent with those applied last year.

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 with deduction of any principal repayments and addition or deduction of 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

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

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 operating income and costs

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

Other external costs

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

Staff costs

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

Financial statements for the period 1 January - 31 December

Accounting policies (continued)

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

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 depreciation and impairment losses. Software is depreciated on a straight-line basis over the expected useful life of 3 to 5 years.

Research and development costs

Self-funded research and development costs are capitalised when they meet certain criteria. These criteria include demonstration of technical feasibility, intent of completing a new asset and generation of probable future economic benefits.

R&D assets are measured at cost less accumulated depreciation and impairment losses and are depreciated on a straight-line basis over the expected useful life of 10 years.

In general 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.

Financial statements for the period 1 January - 31 December

Accounting policies (continued)

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.

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
Production 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.

Financial statements for the period 1 January - 31 December

Accounting policies (continued)

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.

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.

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.

Financial statements for the period 1 January - 31 December

Accounting policies (continued)

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.

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.

Financial statements for the period 1 January - 31 December

Accounting policies (continued)

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.

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 deferred tax and warranties. 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 statements for the period 1 January - 31 December

Accounting policies (continued)

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 from customers concerning income in subsequent years and prepaid rental for EMS Brüel & Kjær.

Financial statements for the period 1 January - 31 December
Notes

DKK'000	2019	2018
1 Revenue		
Domestic	35,239	29,257
Foreign	785,615	866,600
	820,854	895,857
2 Other Operating Income		
Profit from disposal of business	-	20,661
Other operating income	1,085	2,837
	1,085	23,498
Specification of profit from disposal of business:		
Net assets		
Plant & equipment	-	3,209
Inventory	-	5,540
Trade receivables	-	1,825
Deferred income	-	-717
Other payables	-	-2,565
Branch profit on disposal of business	-	-42
Net assets disposed	-	7,250
Proceeds allocated from Spectris Plc	-	36,502
Transaction costs	-	-3,696
5 years free housing granted to EMS	-	-4,895
Net assets disposed	-	-7,250
Profit from disposal of business	-	20,661

The company completed the disposal of the environmental monitoring business, EMS Brüel & Kjær, as per 31 May 2018.

Financial statements for the period 1 January - 31 December
Notes

DKK'000	2019	2018
3 Staff costs		
Wages and salaries	261,189	273,499
Pensions	16,834	16,825
Social security costs	1,459	940
Other staff costs	9,239	9,214
	288,721	300,478
Wages related to the construction of plant and machinery and indirect production overheads on inventories	-48,111	-45,494
	240,610	254,984
Average number of employees	439	449

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 exercised share options under this programme of DKK 1,933 thousand (2018: 1,270 thousand).

Staff costs comprise remuneration, pension, bonus plan and company car for the Executive Board totalling DKK 11,226 thousand (2018: DKK 9,331 thousand) and total remuneration for the Board of Directors of DKK 75 thousand (2018: DKK 75 thousand). The increase is related to bonuses.

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

4 Intangible assets

	Software	Branding Rights	R&D assets	Total
Cost at 1 January 2019	55,501	53,846	10,736	120,083
Additions	2,104	-	7,326	9,430
Disposals	-3,332	-	-	-3,332
Cost at 31 December 2019	54,273	53,846	18,062	126,181
Depreciation and impairment at 1 January 2019	44,609	53,846	138	98,593
Depreciation and impairment	5,199	-	1,381	6,580
Disposals	-3,332	-	-	-3,332
Depreciation and impairment at 31 December 2019	46,476	53,846	1,519	101,841
Carrying amount at 31 December 2019	7,797	-	16,543	24,340
Depreciation period	3-5 years	5 years	10 years	

Financial statements for the period 1 January - 31 December
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 2019	186,560	59,043	25,664	2,349	273,616
Transfers	-	916	955	-1,871	-
Additions	1,260	4,673	569	2,552	8,930
Disposals	-686	-2,845	-12,385		-15,792
Cost at 31 December 2019	187,134	61,787	14,803	3,030	266,754
Depreciation and impairment at 1 January 2019	84,623	46,408	22,631	-	153,662
Depreciation	3,955	2,911	1,860	-	8,726
Disposals	-686	-2,815	-12,234	-	-15,735
Depreciation and impairment at 31 December 2019	87,892	46,504	12,257	-	146,653
Carrying amount at 31 Decem- ber 2019	99,242	15,283	2,546	3,030	120,101
Depreciation period	40 years	10 years	3-10 years	-	

6 Financial income

Interest income, group

	2019	2018
	2	21

Financial statements for the period 1 January - 31 December
Notes

DKK'000	2019	2018
7 Financial expenses		
Interest expenses, group companies	767	327
Interest expenses, other	8	1
Exchange rate losses	5,549	3,597
	6,324	3,925
8 Tax on profit for the year		
Joint taxation contribution	10,274	22,149
Other current taxes	538	357
Adjustment of tax relating to previous years	0	14
Deferred tax for the year	1,803	2,958
	12,615	25,478
Specification of tax on profit for the year		
Current tax/joint taxation contribution	10,812	22,520
Deferred tax	1,803	2,958
	12,615	25,478
Tax recognition		
Tax on profit for the year	12,615	25,478
Tax on equity movements	638	-1,053
	13,253	24,425
9 Proposed distribution of profit		
Proposed extraordinary dividends	-	140,000
Retained earnings	42,507	-50,384
	42,507	89,616

Financial statements for the period 1 January - 31 December
Notes

DKK'000 2019 2018

10 Prepayments

Prepaid software-licenses	6,663	6,226
Other	303	1,562
	<u>6,966</u>	<u>7,788</u>

11 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.

12 Deferred tax

Deferred tax at 1 January	11,228	8,270
Adjustment for the year	1,803	2,958
Deferred tax at 31 December	<u>13,031</u>	<u>11,228</u>

Provision for deferred tax relate to:

Intangible assets	3,639	2,332
Property, plant and equipment	4,502	3,603
Current assets	7,936	6,982
Provisions	-3,046	-1,689
Deferred tax at 31 December	<u>13,031</u>	<u>11,228</u>

Financial statements for the period 1 January - 31 December
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	2019	2018
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13 Other provisions

Warranty provision at 31 December	5,700	7,100
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The warranty provision covers expected costs to be incurred for products already sold and is expected to be used in full within one year.

14 Contract work in progress

Sales value of contract work in progress	2,352	898
Invoiced on account on contract work in progress	-2,614	-1,498
	-262	-600

The transactions are recognised as follows

Contract work in progress (assets)	-	-
Prepayment on contract work in progress (liabilities)	-262	-600
	-262	-600

15 Deferred income
Current

Deferred income	14,385	15,403
Prepaid rental for Brüel & Kjær EMS	979	979
	15,364	16,382

Non-current

Prepaid rental for Brüel & Kjær EMS	2,366	3,345
	2,366	3,345

Deferred income at 31 December	17,730	19,727
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Financial statements for the period 1 January - 31 December

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16 Contractual obligations, contingencies etc

Rent and lease obligations (operating leases) falling due within five years total DKK 240 thousand (2018: DKK 800 thousand).

Obligations regarding guarantees made for customers amount to DKK 19,055 thousand (2018: DKK 16,537 thousand).

Obligations concerning specific purchase orders and committed forecasts submitted to suppliers amounts to DKK 33,800 thousand (2018: DKK 37,500 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.

17 Financial instruments

Currency	Period	2019		2018		
		Contract value	(Gain) and loss recognised in equity	Contract value	(Gain) and loss recognised in equity	
DKK/USD	0–12 months	54,511	60	0–12 months	92,740	2,067
DKK/JPY	0–12 months	41,204	138	0–12 months	61,313	729
GBP/DKK	0–12 months	32,729	-625	0–12 months	49,403	-322
		<u>128,444</u>	<u>-427</u>	<u>203,456</u>	<u>2,474</u>	

Financial statements for the period 1 January - 31 December**Notes**

DKK'000

18 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.

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.

Financial statements for the period 1 January - 31 December**Notes**

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19 Subsequent events

The Company considers the outbreak of the COVID-19 coronavirus to be a non-adjusting balance sheet event. The full impact of the COVID-19 pandemic on medium- and long-term economic activity is not yet known, although it is likely to have a significant impact on the business activities. The Company has applied for subsidies provided by the Danish government to reduce negative impact on earnings. As of April 2020, revenues have declined by more than 20% compared to expectations and prior years. The Company expects the slowdown to continue at least for the remainder of 2020. The Company continues to monitor the impact on its business considering appropriate measures to mitigate financial risk.












1 BKSV Annual Report 2019_7-7-2020_FINAL












Endelig revisionsrapport

2020-07-10

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Status:	Underskrevet
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-  Dokument oprettet af Anders Birck Nielsen (Anders.Nielsen@bksv.com)
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-  Dokumentet blev sendt til Steen Pinnerup (steen.pinnerup@hbkworl.com) til underskrivelse
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-  Dokumentet blev sendt til Joe Vorih (joe.vorih@hbkworl.com) til underskrivelse
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-  Dokumentet blev sendt til Sanne K. Hjorstrup (sannekjaersgaard.hjorstrup@hbkworl.com) til underskrivelse
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-  Dokumentet blev sendt til Kirsten Aaskov Mikkelsen (kmikkelsen@deloitte.dk) til underskrivelse
2020-07-08 - 11:18:42 GMT
-  E-mail blev vist af Sanne K. Hjorstrup (sannekjaersgaard.hjorstrup@hbkworl.com)
2020-07-08 - 11:45:36 GMT- IP-adresse: 104.47.1.254
-  Dokumentet blev e-underskrevet af Sanne K. Hjorstrup (sannekjaersgaard.hjorstrup@hbkworl.com)
Dato for signatur: 2020-07-08 - 11:46:18 GMT - tidskilde: server- IP-adresse: 87.51.111.134

-  E-mail blev vist af Joe Vorih (joe.vorih@hbkworld.com)
2020-07-08 - 11:50:13 GMT- IP-adresse: 137.103.104.12
-  Dokumentet blev e-underskrevet af Joe Vorih (joe.vorih@hbkworld.com)
Dato for signatur: 2020-07-08 - 11:51:11 GMT - tidskilde: server- IP-adresse: 137.103.104.12
-  E-mail blev vist af Steen Pinnerup (steen.pinnerup@hbkworld.com)
2020-07-08 - 11:51:42 GMT- IP-adresse: 104.47.1.254
-  Dokumentet blev e-underskrevet af Steen Pinnerup (steen.pinnerup@hbkworld.com)
Dato for signatur: 2020-07-08 - 12:02:45 GMT - tidskilde: server- IP-adresse: 152.115.31.4- Signatur, der er taget fra enhed med telefonnummer XXXXXX6611
-  E-mail blev vist af Tommy Larsen (tommym.larsen@hbkworld.com)
2020-07-08 - 12:03:21 GMT- IP-adresse: 104.47.1.254
-  E-mail blev vist af Lone Gundelach Kjeldsen (lonegundelach.kjeldsen@hbkworld.com)
2020-07-08 - 12:04:13 GMT- IP-adresse: 77.241.128.74
-  Dokumentet blev e-underskrevet af Tommy Larsen (tommym.larsen@hbkworld.com)
Dato for signatur: 2020-07-08 - 12:09:50 GMT - tidskilde: server- IP-adresse: 83.94.14.176
-  Dokumentet blev e-underskrevet af Lone Gundelach Kjeldsen (lonegundelach.kjeldsen@hbkworld.com)
Dato for signatur: 2020-07-08 - 12:57:10 GMT - tidskilde: server- IP-adresse: 152.115.31.4- Signatur, der er taget fra enhed med telefonnummer XXXXXX0502
-  E-mail blev vist af Kirsten Aaskov Mikkelsen (kmikkelsen@deloitte.dk)
2020-07-08 - 12:59:23 GMT- IP-adresse: 176.20.60.58
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2020-07-08 - 15:01:37 GMT- IP-adresse: 85.204.195.112
-  Dokumentet blev e-underskrevet af Martin Olsen (martinqvist.olsen@hbkworld.com)
Dato for signatur: 2020-07-08 - 15:02:48 GMT - tidskilde: server- IP-adresse: 85.204.195.112
-  E-mail blev vist af Torben Bjørn (torben.bjorn@hbkworld.com)
2020-07-10 - 13:52:21 GMT- IP-adresse: 104.47.1.254
-  Dokumentet blev e-underskrevet af Torben Bjørn (torben.bjorn@hbkworld.com)
Dato for signatur: 2020-07-10 - 14:03:05 GMT - tidskilde: server- IP-adresse: 152.115.31.4
-  Underskrevet dokument sendt til Joe Vorih (joe.vorih@hbkworld.com), jens.petersen@hbkworld.com, Anders Birck Nielsen (Anders.Nielsen@bksv.com), Sanne K. Hjordrup (sannekjaersgaard.hjordrup@hbkworld.com) og 7 flere på mail
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