# Doms ApS

Formervangen 28, 2600 Glostrup

CVR no. 76 47 47 10

# Annual report for 2017

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 28.05.18

Jonathan Wright
Dirigent

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# Company information etc.

## The company

Doms ApS
Formervangen 28
2600 Glostrup
Tel.: 43 29 94 00
Fax: 43 43 10 12
Registered office: Glostrup
CVR no.: 76 47 47 10
Founded: 15. november 1984
Financial year: 01.01 - 31.12

## Executive Board

Søren Nordby Riishøj
Steffen Lund
Morten Raaby

## Board Of Directors

David John Coombe
Søren Nordby Riishøj
Steffen Lund
Morten Raaby

## Auditors

ERNST & YOUNG
Godkendt revisionspartnerselskab

# Statement of the Board of Directors and Executive Board on the annual report

We have on this day discussed and approved the annual report for the financial year 01.01.17 - 31.12.17 for Doms ApS.

The annual report is presented in accordance with Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the the company's assets, liabilities and financial position as at 31.12.17 and of the results of the the company's activities for the financial year 01.01.17 - 31.12.17.

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.

The annual report is submitted for adoption by the general meeting.

Glostrup, May 28, 2018

**Executive Board**

| | | |
|---|---|---|
| Søren Nordby Riishøj | Steffen Lund | Morten Raaby |

**Board Of Directors**

| | | |
|---|---|---|
| David John Coombe<br>Chairman | Søren Nordby Riishøj | Steffen Lund |
| Morten Raaby | | |

# Independent auditor's report

**To the capital owner of Doms ApS**

## Opinion

We have audited the financial statements of Doms ApS for the financial year 1 January – 31 December 2017, which 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 financial position of the Company 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 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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

In preparing the financial statements, Management is responsible for assessing the 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 additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 regarding the management's review**

Management is responsible for Management's review.

Our opinion on the financial statements does not cover 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 Management's review and, in doing so, consider whether 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 Management's review provides the information required under the Danish Financial Statements Act.

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

Copenhagen, May 28, 2018

**ERNST & YOUNG**

Godkendt revisionspartnerselskab
CVR no. 30700228

| | |
|---|---|
| Henrik Kronborg Iversen | Rasmus Bloch Jespersen |
| State Authorized Public Accountant | State Authorized Public Accountant |
| MNE-no. mne24687 | MNE-no. mne35503 |

## FINANCIAL HIGHLIGHTS

### Key figures

| Figures in DKK '000 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| *Profit/loss* | | | | | |
| Gross profit | 66,361 | 62,057 | 61,484 | 85,652 | 83,012 |
| Indeks | 80 | 75 | 74 | 103 | 100 |
| Operating profit/loss | 7,584 | -2,703 | -4,172 | 25,554 | 19,850 |
| Indeks | 38 | -14 | -21 | 129 | 100 |
| Total net financials | -20,056 | -18,194 | -7,070 | 1,462 | -291 |
| Indeks | 6,892 | 6,252 | 2,430 | -502 | 100 |
| Profit/loss before tax | -12,472 | -20,897 | -11,242 | 26,958 | 19,753 |
| Indeks | -63 | -106 | -57 | 136 | 100 |
| Profit/loss for the year | -13,787 | -20,259 | -11,150 | 20,274 | 14,752 |
| Indeks | -93 | -137 | -76 | 137 | 100 |
| *Balance* | | | | | |
| Total assets | 70,516 | 118,407 | 254,547 | 262,573 | 234,712 |
| Indeks | 30 | 50 | 108 | 112 | 100 |
| Investments in property, plant and equipment | 41 | 0 | 0 | 749 | 116 |
| Equity | 44,390 | -2,536 | 188,436 | 199,587 | 179,313 |
| Indeks | 25 | -1 | 105 | 111 | 100 |

## Ratios

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| *Profitability* | | | | | |
| Return on equity | -66% | -22% | -6% | 11% | 9% |
| *Equity ratio* | | | | | |
| Equity interest | 63% | -2% | 74% | 76% | 76% |
| *Others* | | | | | |
| Number of employees (average) | 90 | 96 | 96 | 97 | 105 |

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

Equity interest: $\frac{\text{Equity, end of year x 100}}{\text{Total assets}}$

## Primary activities

Doms ApS' (‘the Company’s’) primary activities relate to the sale, installation and service of fuel retail equipment.

In Denmark, the Company's main activity consists of technical service and installations to customers in the fuel retail industry and the supply of related equipment.

Internationally, the company's main activity consists in the supply and sale of electronics systems for forecourt management at fuel retailers (PSS 5000).

## Uncertainty concerning recognition and measurement

In November 2015, the Company acquired the fully owned subsidiary, Odysii Technologies Ltd. The primary operations of Odysii Technologies Ltd. comprise development of IT projects and rendering of services to other group enterprises.

Management has identified indications of impairment concerning the investment in Odysii Technologies Ltd. representing DKK 5,386 thousand of equity investment in group enterprises at 31 December 2017. Consequently, management has prepared an impairment test and thereby calculated the recoverable amount of the investment at 31 December 2017. The calculation of the recoverable amount is based on the value in use of the investment, which is calculated by applying a discounted cash-flow model (DCF). Management has applied the following assumptions in its calculation of the value in use:

WACC (discount rate after tax) of 8%
Growth rate of 3% in terminal period
Budget period of 5 years followed by a terminal period

In addition, the operating cash-flow has been substantiated by management based on expected cash flow generated by software development services under a cost plus arrangement with other group companies for the budget period 2018-2021 and going forward. Furthermore, the company expects that the cash flow from software development activities will be substantially replaced by the royalty income once software development projects have been completed, which currently is expected from the budget period 2018 going forward. The cash flows from royalty revenues are expected to exceed budgeted cash flows from software development activities and the cost plus agreement. However, due to various estimation uncertainties such increased cash flows have been excluded in the value in use calculation.

Due to the nature of the activities and the assumptions applied by management, inherent uncertainties exists concerning and associated with the recognition and measurement of the carrying amount of the equity investment in Odysii Technologies Ltd.

The impairment test did not give rise to any impairment write down of the investment in Odysii Technologies Ltd.

**Development in activities and financial affairs**

The year's gross profit totalled DKK 66.4 million in comparison to DKK 62.1 million last year. The income statement for the period 01.01.17 - 31.12.17 shows a loss of DKK 13,787 thousand in comparison to a loss of DKK 20,259 thousand for the period 01.01.16 - 31.12.16. The balance sheet shows a positive equity position of DKK 44,390 thousand.

Management consider the 2017 performance to be satisfactory.

In the annual report 2016, management expressed and expected increase in revenue and considerable improvement in profit for the year 2017 compared to 2016. This improvement is realised in the 2017 financial statements.

During 2017 the company received a capital contribution from Fluke Danmark A/S, the owner all of the issued and outstanding shares in Doms ApS. As at the end of the 2016 the company had an outstanding dividend payable to Fluke Danmark A/S of DKK 60.7 million. During 2017 Fluke Danmark A/S cancelled the dividend receivable, excluding accrued interest of DKK 556 thousand, by completing a tax free equity contriubution in favor of Doms ApS.

**Risk**

The company is not exposed to risks beyond those risks that are common in the Company's business sector

**Outlook**

Management expects the company in 2018 will generate positive EBITDA in excess of DKK 5 million.

**Knowledge resources**

It is essential to the company's continued development that it can attract and retain highly qualified staff, including engineers and technicians with expertise in the area of hardware and software development as well as project management.

The introduction of new regulations and executive orders in the industry calls for ongoing staff training. Therefore, the company currently arranges a number of training sessions for the employees.

## External environment

The company is eco-conscious and is making an ongoing effort to reduce the environmental impact from its operations. Also, though training and dissemination of information to all employees, the company seeks to foster a responsible and reasonable attitude to the environment as well as robust safety systems.

## Research and development activities

The company has no R&D expenses which fulfil the criteria for capitalisation were incurred in the year under review.

## Subsequent events

No events, of material importance for the company's financial position, have occurred after the end of the financial year.

# Income statement

| Note | | 2017 DKK '000 | 2016 DKK '000 |
|---|---|---|---|
| | **Gross profit** | **66,361** | **62,057** |
| 2 | Staff costs | -58,539 | -64,444 |
| | **Profit/loss before depreciation, amortisation, write-downs and impairment losses** | **7,822** | **-2,387** |
| | Depreciation, amortisation, impairment losses and write-downs of property, plant and equipment | -238 | -316 |
| | **Profit/loss before net financials** | **7,584** | **-2,703** |
| 3 | Income from equity investments in group enterprises | -18,814 | -19,429 |
| 4 | Financial income | 364 | 1,333 |
| 5 | Financial expenses | -1,606 | -98 |
| | **Profit/loss before tax** | **-12,472** | **-20,897** |
| 6 | Tax on profit or loss for the year | -1,315 | 638 |
| | **Profit/loss for the year** | **-13,787** | **-20,259** |

7 Distribution of net profit

# Balance sheet

## ASSETS

| Note | | 31.12.17<br>DKK '000 | 31.12.16<br>DKK '000 |
|---|---|---|---|
| | Leasehold improvements | 170 | 367 |
| | Other fixtures and fittings, tools and equipment | 22 | 7 |
| 8 | **Total property, plant and equipment** | **192** | **374** |
| 9 | Equity investments in group enterprises | 6,368 | 25,183 |
| | **Total investments** | **6,368** | **25,183** |
| | **Total non-current assets** | **6,560** | **25,557** |
| 10 | Raw materials and consumables | 10,412 | 9,739 |
| | **Total inventories** | **10,412** | **9,739** |
| | Trade receivables | 27,911 | 31,620 |
| | Receivables from group enterprises | 19,682 | 46,915 |
| 12 | Deferred tax asset | 0 | 379 |
| | Income tax receivable | 0 | 1,255 |
| | Other receivables | 2,768 | 998 |
| 11 | Prepayments | 3,183 | 1,945 |
| | **Total receivables** | **53,544** | **83,112** |
| | **Total current assets** | **63,956** | **92,851** |
| | **Total assets** | **70,516** | **118,408** |

# Balance sheet

## EQUITY AND LIABILITIES

| Note | | 31.12.17 DKK '000 | 31.12.16 DKK '000 |
|---|---|---|---|
| | Share capital | 5,000 | 5,000 |
| | Retained earnings | 39,390 | -7,536 |
| | **Total equity** | **44,390** | **-2,536** |
| 12 | Provisions for deferred tax | 166 | 0 |
| | **Total provisions** | **166** | **0** |
| | Prepayments received from customers | 1,706 | 2,031 |
| | Trade payables | 8,478 | 10,605 |
| | Payables to group enterprises | 1,942 | 92,631 |
| | Income taxes | 1,251 | 0 |
| | Other payables | 12,583 | 15,677 |
| | **Total short-term payables** | **25,960** | **120,944** |
| | **Total payables** | **25,960** | **120,944** |
| | **Total equity and liabilities** | **70,516** | **118,408** |

1 Special items
13 Contingent liabilities
14 Charges and security
15 Related parties

# Statement of changes in equity

| Figures in DKK '000 | Share capital | Retained earnings | Proposed dividend for the financial year | Total equity |
|---|---|---|---|---|
| Statement of changes in equity for 01.01.16 - 31.12.16 | | | | |
| Balance pr. 01.01.16 | 5,000 | 12,723 | 170,713 | 188,436 |
| Dividend paid | 0 | 0 | -110,000 | -110,000 |
| Other changes in equity | 0 | 0 | -60,713 | -60,713 |
| Net profit/loss for the year | 0 | -20,259 | 0 | -20,259 |
| Balance as at 31.12.16 | 5,000 | -7,536 | 0 | -2,536 |
| Statement of changes in equity for 01.01.17 - 31.12.17 | | | | |
| Balance as at 01.01.17 | 5,000 | -7,536 | 0 | -2,536 |
| Group contribution | 0 | 60,713 | 0 | 60,713 |
| Net profit/loss for the year | 0 | -13,787 | 0 | -13,787 |
| Balance as at 31.12.17 | 5,000 | 39,390 | 0 | 44,390 |

The line "Other changes in equity" in 2016 relates to dividend converted to intercompany payable.

Share capital has remained unchanged the past 5 years.

# Notes

## 1. Special items

Special items are income and expenses that are special due to their size and nature. The following special items were recorded in the financial year:

| | 2017 | 2016 |
|---|---|---|
| Write-downs of inventories exceeding normal writedowns | 1,800 | 0 |
| Goodwill amortization on equity investments | 17,519 | 17,519 |
| Total | 19,319 | 17,519 |

| | 2017<br>DKK '000 | 2016<br>DKK '000 |
|---|---|---|
| **2. Staff costs** | | |
| Wages and salaries | 51,300 | 56,299 |
| Pensions | 5,027 | 6,183 |
| Other social security costs | 253 | 199 |
| Other staff costs | 1,959 | 1,763 |
| Total | 58,539 | 64,444 |
| Average number of employees during the year | 90 | 96 |

Remuneration for the management:

| | 2017 | 2016 |
|---|---|---|
| Salaries, Board of Executives | 4,186 | 4,211 |
| Total remuneration for the management | 4,186 | 4,211 |

# Notes

| | 2017<br>DKK '000 | 2016<br>DKK '000 |
|---|---|---|

## 3. Income from equity investments in group enterprises

| | | |
|---|---|---|
| Share of profit or loss of group enterprises | -1,295 | -1,910 |
| Amortisation of goodwill | -17,519 | -17,519 |
| Total | -18,814 | -19,429 |

## 4. Financial income

| | | |
|---|---|---|
| Interest, group enterprises | 0 | 738 |
| Other financial income | 364 | 595 |
| Total | 364 | 1,333 |

## 5. Financial expenses

| | | |
|---|---|---|
| Interest, group enterprises | 990 | 87 |
| Other financial expenses total | 616 | 10 |
| Total | 1,606 | 98 |

## 6. Tax on profit or loss for the year

| | | |
|---|---|---|
| Current tax for the year | 1,251 | 0 |
| Adjustment of deferred tax for the year | 545 | -305 |
| Adjustment of tax in respect of previous years | -481 | -333 |
| Total | 1,315 | -638 |

| | 2017<br>DKK '000 | 2016<br>DKK '000 |
|---|---|---|

## 7. Distribution of net profit

| | 2017 DKK '000 | 2016 DKK '000 |
|---|---|---|
| Retained earnings | -13,787 | -20,259 |

## 8. Property, plant and equipment

| Figures in DKK '000 | Land and buildings | Leasehold improvemen ts | Plant and machinery | Other fixtures and fittings, tools and equipment |
|---|---|---|---|---|
| Cost as at 01.01.17 | 2,949 | 1,436 | 1,620 | 2,693 |
| Additions during the year | 0 | 0 | 0 | 41 |
| Cost as at 31.12.17 | 2,949 | 1,436 | 1,620 | 2,734 |
| Depreciation and impairment losses as at 01.01.17 | -2,949 | -1,069 | -1,620 | -2,687 |
| Depreciation during the year | 0 | -197 | 0 | -25 |
| Depreciation and impairment losses as at 31.12.17 | -2,949 | -1,266 | -1,620 | -2,712 |
| Carrying amount as at 31.12.17 | 0 | 170 | 0 | 22 |

## 9. Equity investments in group enterprises

| Figures in DKK '000 | Equity investments in group enterprises |
|---|---|
| Cost as at 01.01.17 | 50,345 |
| Cost as at 31.12.17 | 50,345 |
| Revaluations as at 01.01.17 | -25,296 |
| Amortisation of goodwill | -17,519 |
| Net profit/loss from equity investments | -1,162 |
| Revaluations as at 31.12.17 | -43,977 |
| Carrying amount as at 31.12.17 | 6,368 |

| Name and Registered office: | Ownership interest | Recognised value |
|---|---|---|
| Group enterprises: | | |
| Doms Metrology ApS, Glostrup | 100% | 982 |
| Odysil Technologies Ltd., Tel Aviv, Isreal | 100% | 5,386 |

The company has no legal or constructive obligations to cover the liabilities of Odysii Technologies Ltd.

Impairment
In November 2015, the Company acquired the fully owned subsidiary, Odysii Technologies Ltd. The primary operations of Odysii Technologies Ltd. comprise development of IT projects and rendering of services to other group enterprises.

Management has identified indications of impairment concerning the investment in Odysii Technologies Ltd. representing DKK 5,386 thousand of equity investment in group enterprises at 31 December 2017. Consequently, management has prepared an impairment test and thereby calculated the recoverable amount of the investment at 31 December 2017. The calculation of the recoverable amount is based on the value in use of the investment, which is calculated by applying a discounted cash-flow model (DCF). Management has applied the following assumptions in its calculation of the value in use:

WACC (discount rate after tax) of 8%
Growth rate of 3% in terminal period
Budget period of 5 years followed by a terminal period

In addition, the operating cash-flow has been substantiated by management based on expected cash flow generated by software development services under a cost plus arrangement with other group companies for the budget period 2018-2022 and going forward. Furthermore, the company expects that the cash flow from software development activities will be substantially replaced by the royalty income once software development projects have been completed, which currently is expected from the budget period 2018 going forward. The cash flows from royalty revenues are expected to exceed budgeted cash flows from software development activities and the cost plus agreement. However, due to various estimation uncertainties such increased cash flows have been excluded in the value in use calculation.

Due to the nature of the activities and the assumptions applied by management, inherent uncertainties exists concerning and associated with the recognition and measurement of the carrying amount of the equity investment in Odysii Technologies Ltd.

The impairment test did not give rise to any impairment write down of the investment in Odysii Technologies Ltd.

| | 31.12.17<br>DKK '000 | 31.12.16<br>DKK '000 |
|---|---:|---:|

## 10. Inventories

| | 31.12.17<br>DKK '000 | 31.12.16<br>DKK '000 |
|---|---:|---:|
| Raw materials and consumables | 640 | 5,838 |
| Manufactured goods and goods for resale | 9,773 | 3,901 |
| Total | 10,413 | 9,739 |

## 11. Prepayments

| | 31.12.17<br>DKK '000 | 31.12.16<br>DKK '000 |
|---|---:|---:|
| Prepaid lease payments | 933 | 1,489 |
| Other prepayments | 2,250 | 456 |
| Total | 3,183 | 1,945 |

Other prepayments include prepaid expenses relating to rent, subscriptions and membership dues.

| | 31.12.17<br>DKK '000 | 31.12.16<br>DKK '000 |
|---|---|---|
| **12. Deferred tax** | | |
| Deferred tax as at 01.01.17 | -379 | 323 |
| Deferred tax recognised in the income statement | 545 | -702 |
| Deferred tax as at 31.12.17 | 166 | -379 |

## 13. Contingent liabilities

*Lease commitments*

The company has assumed the contractual obligations that are customary for the industry. The company's products are usually warranted for a period of 1-5 years.

Rent and lease liabilities include a rent obligation totalling DKK 8,185 thousand (2016 DKK 10,490 thousand) in non terminable rent agreements. Furthermore the company has liabilities under operating leases for cars and contingent liabilities, totalling DKK 8,333 thousand (2016 DKK 6,167 thousand).

*Other contingent liabilities*

Joint taxation
At 31 December 2017, the company is jointly taxed with Fluke Danmark A/S, which is the ‘tax administration' company (Administrationsselskab) for the Danish joint taxation of Fortive Corporation.

The company is jointly and severally liable for tax on the jointly taxed incomes etc. of the Group. The total amount of corporation tax payable is disclosed in the Annual Report 2017 of the administration company for the joint taxation purpose Fluke Denmark A/S. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company’s liability.

## 14. Charges and security

The company has not provided any security over assets.

## 15. Related parties

| Controlling influence: | Basis of influence |
|---|---|
| Fluke Danmark A/S, Glostrup | . |

| Transaction | Relation | 2017 DKK'000 |
|---|---|---|
| Sales to related parties, included in Gross profit | Group companies | 22,570 |
| Purchases from related parties, included in Gross profit | Group companies | 25,745 |
| Tax free contribution from parent (ordinary) | Parent | 60,713 |

Remuneration for the management is specified in note 2. Staff costs.

Interest income and expense to and from group enterprises is specified in note 4 and 5.

| Balances | 31.12.17 DKK'000 |
|---|---|
| Receivables from group enterprises | 19,682 |
| Payables to group enterprises | -1,942 |

The company is included in the consolidated financial statements of the parent Fortive Corporation, 9620 Seawary Blvd. Everett WA 98208, United States. Requisition of the patents consolidated financial statements at http://investors.fortive.com/proxy-statements.

## 16. Accounting policies

### GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for medium-sized enterprises in reporting class C.

The accounting policies have been applied consistently with previous years.

In accordance with section 112 of the Danish Financial Statements Act, the company has not prepared consolidated financial statements. The company is a subsidiary of Fortive Corporation, which prepares consolidated financial statements.

### Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

### CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement.

**16. Accounting policies** - continued -

Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

## LEASES

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

## INCOME STATEMENT

### Gross profit

Gross profit comprises revenue, raw materials and consumables and cost of sales and other external expenses.

### Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid.

Income from the sale of services, which include service contracts, is recognised in revenue on a straight-line basis as the services are rendered, as the services are provided in the form of an indefinite number of actions over a specified period of time.

Revenue is measured at fair value of the agreed consideration exclusive of VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

### Costs of raw materials and consumables

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

**16. Accounting policies** - continued -

### Cost of sales

Cost of sales comprises cost of sales for the year measured at cost plus any changes in inventories, including write-downs to the extent that these do not exceed normal write-downs.

### Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

### Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

### Depreciation and impairment losses

The depreciation of property, plant and equipment aim at systematic depreciation over the expected useful lives of the assets. Assets are depreciated according to the straight-line method based on the following expected useful lives and residual values:

| | Useful lives, years | Residual value, per cent |
|---|---|---|
| Buildings | 10-25 | |
| Leasehold improvements | 3-10 | 0 |
| Plant and machinery | 5 | 0 |
| Other plant, fixtures and fittings, tools and equipment | 3-5 | 0 |

Land is not depreciated.

The basis of depreciation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Property, plant and equipment are impaired in accordance with the accounting policies referred to in the ‘Impairment losses on fixed assets’ section.

**16. Accounting policies** - continued -

### Income from equity investments in group entreprises

For equity investments in subsidiaries, measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses.

Income from equity investments in subsidiaries comprises gains and losses on the sale of equity investments.

### Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

### Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

### Special items

Special items comprise significant income and expenses of a special nature relative to the Company's revenue-generating operating activities, e.g. expenses incurred to extensive structuring of processes and basic structural adjustments, as well as any relating disposal gains and losses, and which over time have a material impact. Special items further comprise other substantial, non-recurring amounts.

## 16. Accounting policies - continued -

### BALANCE SHEET

#### Property, plant and equipment

Property, plant and equipment comprise land and buildings, leasehold improvements, plant and machinery as well as other fixtures and fittings, tools and equipment

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

The total cost of an asset is decomposed into separate components that are depreciated separately if the useful lives of the individual components vary.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the ‘Depreciation, amortisation and impairment losses’ section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

#### Equity investments in group entreprises

Equity investments in subsidiaries are recognised and measured according to the equity method, meaning that these equity investments are measured at the proportionate share of the enterprises’ equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of positive or negative goodwill and gains and losses on transactions with the enterprises in question.

Equity investments in subsidiaries with a negative carrying amount are measured at DKK 0. Receivables that are considered part of the combined investment in the enterprises in question are impaired by any remaining negative equity value. Other receivables from such enterprises are impaired to the extent that such receivables are considered uncollectible. Provisions to cover the remaining negative equity value are recognised only to the extent that the company has a legal or constructive obligation to cover the liabilities of the enterprise in question.

**16. Accounting policies** - continued -

Goodwill recognised under equity investments in subsidiaries is amortised according to the straight-line method based on an individual assessment of the useful life of the asset. The useful life of goodwill has been determined at 5 years in consideration of the expected future net earnings of the enterprise to which the goodwill relates.

Gains or losses on the divestment of subsidiaries are determined as the difference between the divestment consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income statement under income from equity investments.

### Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation/amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

### Inventories

Inventories are measured at cost calculated according to the FIFO principle. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

**16. Accounting policies** - continued -

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

**Receivables**

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

**Prepayments**

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

**Equity**

The net revaluation of equity investments in subsidiaries is recognised in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

**Current and deferred tax**

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

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

## 16. Accounting policies - continued -

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

### Payables

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

### Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to the time and date of delivery of the agreed product or completion of the agreed service.

### CASH FLOW STATEMENT

Referring to section 86(4) of the Danish Financial Statements Act a cash flow statement has not been prepared as the enterprise is included in the consolidated cash flow statement.