



Viemose-Driboga A/S

Odensevej 38, 5690 Tommerup
CVR No. 10531837

Annual report 2019

The Annual General Meeting adopted the
annual report on 12.03.2020

Carl Erik Skovgaard
Conductor

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Entity details

Entity

Viemose-Driboga A/S

Odensevej 38

5690 Tommerup

CVR No.: 10531837

Registered office: Assens

Financial year: 01.01.2019 - 31.12.2019

Phone number: 64 75 20 00

URL: www.viemose-dgs.dk

Board of Directors

Carl Erik Skovgaard, Chairman of the board

Lars Bennet Sørensen

Benny Schack Nielsen

Executive Board

Søren Evald Kristensen, CEO

Steen Mortensen, CFO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Tværkajen 5

P. O. Box 10

5100 Odense

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Viemose-Driboga A/S for the financial year 01.01.2019 - 31.12.2019.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Verninge, 12.03.2020

Executive Board

Søren Evald Kristensen
CEO

Steen Mortensen
CFO

Board of Directors

Carl Erik Skovgaard
Chairman of the board

Lars Bennet Sørensen

Benny Schack Nielsen

Independent auditor's report

To the shareholders of Viemose-Driboga A/S

Opinion

We have audited the financial statements of Viemose-Driboga A/S for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

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

Odense, 12.03.2020

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No. 33963556

Heino Hyllested Tholsgaard

State Authorised Public Accountant

Identification No (MNE) mne34511

Management commentary

Financial highlights

	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000
Key figures					
Gross profit/loss	26,002	23,881	34,719	24,236	26,229
Operating profit/loss	2,125	(12,119)	5,804	(216)	3,450
Net financials	(976)	(1,479)	(1,831)	(1,501)	(1,520)
Profit/loss for the year	888	(13,503)	3,088	(1,351)	1,476
Total assets	28,082	33,330	51,650	42,270	43,717
Investments in property, plant and equipment	0	129	(2,307)	(468)	76
Equity	2,143	1,254	14,630	11,332	12,467
Average number of employees	37	55	49	46	43
Ratios					
Return on invested capital (%)	6.92	(28.50)	12.40	(0.50)	7.89
Return on equity (%)	67.63	(170.00)	23.80	(11.40)	17.10
Equity ratio (%)	7.63	3.76	28.30	26.81	28.52

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

Return on invested capital (%):

$\frac{\text{Operating profit/loss} * 100}{\text{Average assets}}$

Return on equity (%):

$\frac{\text{Profit/loss before tax} * 100}{\text{Average equity}}$

Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Primary activities

The primary activities include selling moving gutter systems, vertical farming systems, benches and greenhouses.

The Entity's object is to trade with professional farmers and investors.

Development in activities and finances

Profit for the year is DKK 1,149k before tax and DKK 888k after tax.

The realized result does not fully meet the management's expectation.

The initiated turn-around process started up in 2018 is completed in 2019 and replaced by a targeted action plan which is intended to improve earnings and optimization of the internal processes.

The Entity is not subject to any material risk other than general industry risk including business and financial risk.

For description of going concern, we refer to note 1.

Uncertainty relating to recognition and measurement

For description of uncertainty relating to recognition and measurement, we refer to note 3.

Outlook

Management's expectations for the future are very positive. In the coming year, the Entity will continue working on the targeted action plan.

Based on the action plan and the present order pipeline the Management expect a substantially better profit at DKK 3-5 million in 2020.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

Income statement for 2019

	Notes	2019 DKK	2018 DKK
Gross profit/loss		26,001,891	23,880,990
Staff costs	4	(22,624,229)	(31,401,828)
Depreciation, amortisation and impairment losses	5	(1,252,643)	(4,598,034)
Operating profit/loss		2,125,019	(12,118,872)
Other financial income	6	243,339	147,604
Other financial expenses	7	(1,218,915)	(1,626,169)
Profit/loss before tax		1,149,443	(13,597,437)
Tax on profit/loss for the year	8	(261,000)	94,000
Profit/loss for the year	9	888,443	(13,503,437)

Balance sheet at 31.12.2019

Assets

	Notes	2019 DKK	2018 DKK
Acquired licences		979,588	979,874
Intangible assets	10	979,588	979,874
Land and buildings		8,659,977	9,183,594
Plant and machinery		1,576,490	1,927,114
Other fixtures and fittings, tools and equipment		103,062	172,487
Property, plant and equipment	11	10,339,529	11,283,195
Fixed assets		11,319,117	12,263,069
Raw materials and consumables		3,646,591	4,829,240
Inventories		3,646,591	4,829,240
Trade receivables		5,456,690	5,661,456
Contract work in progress	12	2,646,317	5,432,425
Deferred tax	13	2,234,000	2,495,000
Other receivables		368,492	42,353
Prepayments	14	300,829	417,575
Receivables		11,006,328	14,048,809
Cash		2,109,894	2,188,826
Current assets		16,762,813	21,066,875
Assets		28,081,930	33,329,944

Equity and liabilities

	Notes	2019 DKK	2018 DKK
Contributed capital	15	2,763,240	2,763,240
Reserve for development expenditure		0	764,302
Retained earnings		(620,659)	(2,273,404)
Equity		2,142,581	1,254,138
Mortgage debt		2,953,792	3,495,805
Finance lease liabilities		931,462	1,304,175
Other payables	16	577,411	0
Non-current liabilities other than provisions	17	4,462,665	4,799,980
Current portion of non-current liabilities other than provisions	17	887,027	828,875
Bank loans		7,421,966	9,726,498
Contract work in progress	12	755,461	3,758,338
Trade payables		8,147,039	5,762,939
Payables to group enterprises		2,262,844	2,277,360
Other payables		2,002,347	4,921,816
Current liabilities other than provisions		21,476,684	27,275,826
Liabilities other than provisions		25,939,349	32,075,806
Equity and liabilities		28,081,930	33,329,944
Going concern	1		
Events after the balance sheet date	2		
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Statement of changes in equity for 2019

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	2,763,240	764,302	(2,273,404)	1,254,138
Transfer to reserves	0	(764,302)	764,302	0
Profit/loss for the year	0	0	888,443	888,443
Equity end of year	2,763,240	0	(620,659)	2,142,581

Cash flow statement for 2019

	Notes	2019 DKK	2018 DKK
Operating profit/loss		2,125,019	(12,118,872)
Amortisation, depreciation and impairment losses		1,252,643	4,556,035
Working capital changes	18	988,779	4,298,076
Cash flow from ordinary operating activities		4,366,441	(3,264,761)
Financial income received		243,339	147,604
Financial expenses paid		(1,218,915)	(1,626,169)
Cash flows from operating activities		3,390,865	(4,743,326)
Acquisition etc of intangible assets		(308,691)	(255,938)
Acquisition etc of property, plant and equipment		0	(128,997)
Sale of property, plant and equipment		0	42,000
Cash flows from investing activities		(308,691)	(342,935)
Repayments of loans etc		(856,574)	(1,007,526)
Cash flows from financing activities		(856,574)	(1,007,526)
Increase/decrease in cash and cash equivalents		2,225,600	(6,093,787)
Cash and cash equivalents beginning of year		(7,537,672)	(1,443,885)
Cash and cash equivalents end of year		(5,312,072)	(7,537,672)
Cash and cash equivalents at year-end are composed of:			
Cash		2,109,894	2,188,826
Short-term debt to banks		(7,421,966)	(9,726,498)
Cash and cash equivalents end of year		(5,312,072)	(7,537,672)

Notes

1 Going concern

The entity made a profit for 2019 of DKK 1,149k before tax, which is a significant improvement compared to 2018 with a deficit of DKK 13,503k.

The entity has received a loan agreement that is due until mid-2020 and the expectation of the management is that the loan agreement will be extended.

In 2020 a positive profit before tax of DKK 3-5 million is expected, as well as in the following years, improved earnings are expected.

The realized monthly accounts for January 2020 show a positive deviation compared to budget 2020. It is therefore management's opinion that there will be a positive development for the whole of 2020. At the same time, management estimates that there is no going concern issues.

2 Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

3 Uncertainty relating to recognition and measurement

The value of deferred tax amounting to DKK 2,234k is based on managements expectations to future earnings.

4 Staff costs

	2019 DKK	2018 DKK
Wages and salaries	19,323,694	27,598,652
Pension costs	1,636,433	2,014,638
Other social security costs	106,710	206,061
Other staff costs	1,557,392	1,582,477
	22,624,229	31,401,828

Average number of full-time employees	37	55
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	Remuneration of management 2019 DKK	Remuneration of management 2018 DKK
Total amount for management categories	2,650,204	2,590,924
	2,650,204	2,590,924

5 Depreciation, amortisation and impairment losses

	2019	2018
	DKK	DKK
Amortisation of intangible assets	308,977	206,254
Depreciation of property, plant and equipment	943,666	4,391,780
	1,252,643	4,598,034

6 Other financial income

	2019	2018
	DKK	DKK
Other interest income	11	13,780
Exchange rate adjustments	243,328	133,824
	243,339	147,604

7 Other financial expenses

	2019	2018
	DKK	DKK
Financial expenses from group enterprises	68,373	66,000
Other interest expenses	629,514	949,062
Exchange rate adjustments	365,776	386,515
Other financial expenses	155,252	224,592
	1,218,915	1,626,169

8 Tax on profit/loss for the year

	2019	2018
	DKK	DKK
Change in deferred tax	261,000	(94,000)
	261,000	(94,000)

9 Proposed distribution of profit and loss

	2019	2018
	DKK	DKK
Retained earnings	888,443	(13,503,437)
	888,443	(13,503,437)

10 Intangible assets

	Acquired licences DKK
Cost beginning of year	1,376,894
Additions	308,691
Cost end of year	1,685,585
Amortisation and impairment losses beginning of year	(397,020)
Amortisation for the year	(308,977)
Amortisation and impairment losses end of year	(705,997)
Carrying amount end of year	979,588

11 Property, plant and equipment

	Land and buildings DKK	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK
Cost beginning of year	22,171,611	10,860,858	5,091,468
Cost end of year	22,171,611	10,860,858	5,091,468
Depreciation and impairment losses beginning of year	(12,988,017)	(8,933,744)	(4,918,981)
Depreciation for the year	(523,617)	(350,624)	(69,425)
Depreciation and impairment losses end of year	(13,511,634)	(9,284,368)	(4,988,406)
Carrying amount end of year	8,659,977	1,576,490	103,062
Recognised assets not owned by entity	0	1,488,427	0

12 Contract work in progress

	2019 DKK	2018 DKK
Contract work in progress	10,696,963	44,337,597
Progress billings regarding contract work in progress	(8,806,107)	(42,663,510)
Transferred to liabilities other than provisions	755,461	3,758,338
	2,646,317	5,432,425

13 Deferred tax

	2019 DKK	2018 DKK
Intangible assets	(216,000)	(216,000)
Property, plant and equipment	(645,000)	(596,000)
Receivables	22,000	22,000
Tax losses carried forward	3,073,000	3,285,000
Deferred tax	2,234,000	2,495,000

	2019 DKK	2018 DKK
Changes during the year		
Beginning of year	2,495,000	2,401,000
Recognised in the income statement	(261,000)	94,000
End of year	2,234,000	2,495,000

The valuation of deferred tax has been performed on basis of the expectations for future earnings set by the executive board. The executive board expects a continuous stream of positive earnings the next five years, which will use the positive deferred tax.

14 Prepayments

Prepayments comprise prepaid expenses pertaining to insurance premiums and subscriptions etc.

15 Share capital

	Number	Par value DKK	Nominal value DKK	Recorded par value DKK
Shares	2,763,240	1	2,763,240	2,763,240
	2,763,240		2,763,240	2,763,240

Share capital comprise of 2.763.240 shares par DKK 1. No shares are attributed special rights.

16 Other payables

	2019 DKK	2018 DKK
Holiday pay obligation	577,411	0
	577,411	0

17 Non-current liabilities other than provisions

	Due within 12 months 2019 DKK	Due within 12 months 2018 DKK	Due after more than 12 months 2019 DKK	Outstanding after 5 years 2019 DKK
Mortgage debt	526,404	494,655	2,953,792	786,456
Finance lease liabilities	360,623	334,220	931,462	0
Other payables	0	0	577,411	0
	887,027	828,875	4,462,665	786,456

18 Changes in working capital

	2019 DKK	2018 DKK
Increase/decrease in inventories	1,182,649	7,115,623
Increase/decrease in receivables	2,781,481	7,449,079
Increase/decrease in trade payables etc	(2,975,351)	(10,435,245)
Other changes	0	168,619
	988,779	4,298,076

19 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where BSN Invest ApS, Broby serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

20 Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties. The mortgage also comprises the plant and machinery deemed part of the property.

Bank loans are secured by way of a deposited mortgage deed registered to the mortgagor on plant of t.DKK 9.300 nominal.

Bank loans are further secured by way of deposited all-moneys mortgage nominal t.DKK 30.000. The mortgage comprises inventories, debtors, vehicles, operating equipment and intellectual property rights. The carrying amount of mortgaged assets is t.DKK 11.762.

The carrying amount of mortgaged properties is t.DKK 8.660 the carrying amount of mortgaged plant is t.DKK 1.680.

Certain items of plant and machinery, and other fixtures etc have been financed by means of finance leases. The carrying amount of assets held under finance leases is t.DKK 1.448.

Through it's bank, the company has postet performance bonds ammounting to t.DKK 3.302.

21 Related parties with controlling interest

The following legal and physical persons have controlling influence over the company:

Drivhus Holding A/S, majority shareholder, Assens Municipality

Benny Schack Nielsen, majority shareholder, Faaborg-Midtfyn Municipality

BSN Invest ApS, majority shareholder, Assens Municipality

Other related parties:

Søren Evald Kristensen, chief executive officer, Assens Municipality

Steen Mortensen, chief financial officer, Odense Municipality

Lars Bennet Sørensen, board member, Assens Municipality

Otto Frederik Spliid, former chairman of the board, Odense Municipality

Kenneth Bo Madsen, former board member, Odense Municipality

Carl Erik Skovgaard, new chairman of the board, Aarhus Municipality

22 Non-arm's length related party transactions

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

23 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

BSN Invest ApS, Broby - Assens Municipality

Accounting policies

Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these financial statements are consistent with those applied last year with the exception of a reclassification regarding completed development projects. Completed development projects have been reclassified as acquired licenses as this is regarded the most fitting classification. The reclassification has not affected the income statement, assets or liabilities. As a result of the reclassification, the reserve for development expenditure has been dissolved. Comparative figures have been corrected.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, cost of raw materials and consumables and external expenses.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

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

Depreciation, amortisation and impairment losses

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

Other financial income

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

Other financial expenses

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

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise acquired intellectual property rights.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised over the term of the agreement.

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

Property, plant and equipment

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

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-constructed assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each asset.

Interest expenses on loans for the financing of the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other finance costs are recognised in the income statement.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	40 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	5 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Contract work in progress

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

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

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

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

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

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Mortgage debt

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Finance lease liabilities

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Other financial liabilities

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

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.