# *Cotes A/S*

Ndr. Ringgade 70C, DK-4200 Slagelse

# Annual Report for 1 January - 31 December 2018

CVR No 15 20 03 32

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 15/5 2019

Thomas Rønnow
Chairman of the General Meeting

# Contents



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# Management’s Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Cotes A/S for the financial year 1 January - 31 December 2018.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Slagelse, 15 May 2019

**Executive Board**

Thomas Rønnow
CEO

**Board of Directors**

| | | |
|---|---|---|
| Flemming Poulfelt | Thomas Rønnow | Finn Mogensen |

# Independent Auditor's Report

To the Shareholders of Cotes A/S

**Opinion**
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Cotes A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

**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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Statement on 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 Financials Statements Act.

Based on the work we have performed, in our view, Management's Review 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 in Management's Review.

**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.

# Independent Auditor's Report

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 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 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.

Ringsted, 15 May 2019
**PricewaterhouseCoopers**
Statsautoriseret Revisionspartnerselskab
*CVR No 33 77 12 31*

Brian Petersen
statsautoriseret revisor
mne28701

Jesper Ehlers
statsautoriseret revisor
mne35414

# Company Information

| | |
|---|---|
| **The Company** | Cotes A/S<br>Ndr. Ringgade 70C<br>DK-4200 Slagelse<br><br>Telephone: + 45 58 19 63 22<br>E-mail: info@cotes.com<br>Website: www.cotes.com<br><br>CVR No: 15 20 03 32<br>Financial period: 1 January - 31 December<br>Municipality of reg. office: Slagelse |
| **Board of Directors** | Flemming Poulfelt<br>Thomas Rønnow<br>Finn Mogensen |
| **Executive Board** | Thomas Rønnow |
| **Auditors** | PricewaterhouseCoopers<br>Statsautoriseret Revisionspartnerselskab<br>Eventyrvej 16<br>DK-4100 Ringsted |
| **Bankers** | Danske Bank<br>Nytorv 1<br>DK-4200 Slagelse |

# Management's Review

Financial Statements of Cotes A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The Annual Report has been prepared under the same accounting policies as last year.

**Key activities**

The Company's main activity is the production and sale of dehumidifiers.

**Development in the year**

The income statement of the Company for 2018 shows a profit of DKK 1,738,747, and at 31 December 2018 the balance sheet of the Company shows equity of DKK 14,889,004.

The overall results for the year are considered satisfactory.

In 2018, the Company continued to improve its product program. This was achieved through continuous improvements of existing products and by implementing totally new products. At the same time a more clear approach in selling at the individual market has been taken. All actions should give the basis for additional growth in the years ahead.

**Objectives**

The Company expects to strengthen its market position in 2019, both as regards existing markets, new markets and new product areas.

The Company expects to show a profit for 2019.

**Unusual events**

The financial position at 31 December 2018 of the Company and the results of the activities of the Company for the financial year for 2018 have not been affected by any unusual events.

**Subsequent events**

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

# Income Statement 1 January - 31 December

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | DKK | DKK |
| **Gross profit/loss** | | **29.596.288** | **38.018.490** |
| Staff expenses | 1 | -25.176.233 | -24.792.078 |
| Depreciation, amortisation and impairment of intangible assets and property, plant and equipment | 2 | -1.846.510 | -2.383.241 |
| **Profit/loss before financial income and expenses** | | **2.573.545** | **10.843.171** |
| Income from investments in associates | 3 | 0 | 210.621 |
| Financial income | 4 | 0 | 23.353 |
| Financial expenses | 5 | -311.918 | -536.470 |
| **Profit/loss before tax** | | **2.261.627** | **10.540.675** |
| Tax on profit/loss for the year | 6 | -522.880 | -2.310.131 |
| **Net profit/loss for the year** | | **1.738.747** | **8.230.544** |

# Distribution of profit

**Proposed distribution of profit**

| | 2018 | 2017 |
|---|---|---|
| Proposed dividend for the year | 0 | 6.000.000 |
| Retained earnings | 1.738.747 | 2.230.544 |
| | **1.738.747** | **8.230.544** |
| Extraordinary dividend after year end | 900.000 | 0 |

# Balance Sheet 31 December

## Assets

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | DKK | DKK |
| Completed development projects | | 625.386 | 2.030.245 |
| Acquired other similar rights | | 55.275 | 0 |
| Development projects in progress | | 2.682.183 | 2.229.463 |
| **Intangible assets** | 7 | **3.362.844** | **4.259.708** |
| Other fixtures and fittings, tools and equipment | | 202.274 | 264.082 |
| Leasehold improvements | | 776.771 | 1.119.789 |
| **Property, plant and equipment** | 8 | **979.045** | **1.383.871** |
| Investments in subsidiaries | 9 | 515.183 | 515.183 |
| Investments in associates | 10 | 1.990.863 | 452.663 |
| Other receivables | | 366.102 | 366.102 |
| **Fixed asset investments** | | **2.872.148** | **1.333.948** |
| **Fixed assets** | | **7.214.037** | **6.977.527** |
| Raw materials and consumables | | 6.883.914 | 7.038.905 |
| Finished goods and goods for resale | | 2.285.658 | 2.007.655 |
| **Inventories** | | **9.169.572** | **9.046.560** |
| Trade receivables | | 7.638.510 | 9.583.126 |
| Receivables from associates | | 2.473.908 | 1.368.534 |
| Other receivables | | 1.211.539 | 263.809 |
| Prepayments | | 928.870 | 352.575 |
| **Receivables** | | **12.252.827** | **11.568.044** |
| **Cash at bank and in hand** | | **1.540.990** | **10.362.408** |
| **Currents assets** | | **22.963.389** | **30.977.012** |
| **Assets** | | **30.177.426** | **37.954.539** |

# Balance Sheet 31 December

## Liabilities and equity

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | DKK | DKK |
| Share capital | | 1.325.000 | 1.325.000 |
| Reserve for development costs, excluding deferred tax | | 1.451.321 | 1.098.199 |
| Retained earnings | | 12.112.683 | 10.727.058 |
| Proposed dividend for the year | | 0 | 6.000.000 |
| **Equity** | 11 | **14.889.004** | **19.150.257** |
| Provision for deferred tax | | 958.072 | 1.047.496 |
| **Provisions** | | **958.072** | **1.047.496** |
| Subordinate loan capital | | 0 | 190.000 |
| Credit institutions | | 3.456.481 | 164.330 |
| Prepayments received from customers | | 111.339 | 5.799.456 |
| Trade payables | | 3.042.264 | 3.744.375 |
| Payables to group enterprises | | 1.569.351 | 727.199 |
| Corporation tax | | 534.304 | 741.135 |
| Other payables | | 5.616.611 | 6.390.291 |
| **Short-term debt** | | **14.330.350** | **17.756.786** |
| **Debt** | | **14.330.350** | **17.756.786** |
| **Liabilities and equity** | | **30.177.426** | **37.954.539** |
| Contingent assets, liabilities and other financial obligations | 12 | | |
| Accounting Policies | 13 | | |

# Statement of Changes in Equity

| | Share capital | Reserve for development costs, excluding deferred tax | Retained earnings | Proposed dividend for the year | Total |
|---|---|---|---|---|---|
| | DKK | DKK | DKK | DKK | DKK |
| Equity at 1 January | 1.325.000 | 1.098.199 | 10.727.058 | 6.000.000 | 19.150.257 |
| Ordinary dividend paid | 0 | 0 | 0 | -6.000.000 | -6.000.000 |
| Development costs for the year | 0 | 353.122 | -353.122 | 0 | 0 |
| Net profit/loss for the year | 0 | 0 | 1.738.747 | 0 | 1.738.747 |
| **Equity at 31 December** | **1.325.000** | **1.451.321** | **12.112.683** | **0** | **14.889.004** |

# Notes to the Financial Statements

| | | 2018 | 2017 |
|---|---|---|---|
| | | DKK | DKK |
| **1** | **Staff expenses** | | |
| | Wages and salaries | 21.678.567 | 21.905.040 |
| | Pensions | 1.700.635 | 1.591.686 |
| | Other social security expenses | 538.865 | 466.706 |
| | Other staff expenses | 1.258.166 | 828.646 |
| | | **25.176.233** | **24.792.078** |
| | **Average number of employees** | **42** | **42** |
| **2** | **Depreciation, amortisation and impairment of intangible assets and property, plant and equipment** | | |
| | Amortisation of intangible assets | 1.423.284 | 1.989.156 |
| | Depreciation of property, plant and equipment | 423.226 | 394.085 |
| | | **1.846.510** | **2.383.241** |
| **3** | **Income from investments in associates** | | |
| | Dividend | 0 | 210.621 |
| | | **0** | **210.621** |
| **4** | **Financial income** | | |
| | Other financial income | 0 | 23.353 |
| | | **0** | **23.353** |
| **5** | **Financial expenses** | | |
| | Other financial expenses | 204.636 | 380.530 |
| | Exchange loss | 107.282 | 155.940 |
| | | **311.918** | **536.470** |

# Notes to the Financial Statements

## 6 Tax on profit/loss for the year

| | 2018 | 2017 |
|---|---|---|
| | DKK | DKK |
| Current tax for the year | 612.304 | 2.741.948 |
| Deferred tax for the year | -89.424 | -431.817 |
| | **522.880** | **2.310.131** |

## 7 Intangible assets

| | Completed development projects | Acquired other similar rights | Development projects in progress |
|---|---|---|---|
| | DKK | DKK | DKK |
| Cost at 1 January | 5.686.199 | 73.700 | 2.254.306 |
| Additions for the year | 0 | 0 | 452.720 |
| Cost at 31 December | 5.686.199 | 73.700 | 2.707.026 |
| Impairment losses and amortisation at 1 January | 3.655.954 | 0 | 24.843 |
| Amortisation for the year | 1.404.859 | 18.425 | 0 |
| Impairment losses and amortisation at 31 December | 5.060.813 | 18.425 | 24.843 |
| **Carrying amount at 31 December** | **625.386** | **55.275** | **2.682.183** |

The development projects of Cotes A/S can be split into two groups of activities / projects.

The first group of projects encompass changes and upgrades of existing models of dehumidifiers where the target either is to reduce material consumption in the manufacturing process or to reduce energy consumption for the dehumidifier “in use”. Both aspects are to the benefit of Cotes A/S, its customers and the environment. A number of projects in this area has now been completed and put into operation; however, in 2018 new ones were also added.

The second group of projects concerns the development of dehumidifiers adapted to the use in completely new market areas. The idea of these projects has typically been created in a close dialogue with a specific customer group, in which the opportunities has been considered by both parties. Cotes has the expertise in humidity management and the customer has the expertise in the needs for the given market. End of year 2018, three development projects in this group is “in process” (not finalized).

# Notes to the Financial Statements

## 8 Property, plant and equipment

| | Other fixtures and fittings, tools and equipment | Leasehold improvements |
|---|---|---|
| | DKK | DKK |
| Cost at 1 January | 2.218.485 | 1.396.915 |
| Additions for the year | 18.400 | 0 |
| Cost at 31 December | 2.236.885 | 1.396.915 |
| Impairment losses and depreciation at 1 January | 1.954.403 | 277.126 |
| Depreciation for the year | 80.208 | 343.018 |
| Impairment losses and depreciation at 31 December | 2.034.611 | 620.144 |
| **Carrying amount at 31 December** | **202.274** | **776.771** |

## 9 Investments in subsidiaries

| | 2018 | 2017 |
|---|---|---|
| | DKK | DKK |
| Cost at 1 January | 515.183 | 515.183 |
| **Carrying amount at 31 December** | **515.183** | **515.183** |

Investments in subsidiaries are specified as follows:

| Name | Place of registered office | Share capital | Votes and ownership | Equity | Net profit/loss for the year |
|---|---|---|---|---|---|
| Cotes Polska z.o.o | Polen | PLN 280.000 | 100% | 1.354.631 | 373.549 |

All foreign subsidiaries are recognised and measured as separate entities.

# Notes to the Financial Statements

| | | 2018 | 2017 |
|---|---|---|---|
| | | DKK | DKK |
| **10** | **Investments in associates** | | |
| | Cost at 1 January | 452.663 | 452.663 |
| | Additions for the year | 1.538.200 | 0 |
| | **Carrying amount at 31 December** | **1.990.863** | **452.663** |

Investments in associates are specified as follows:

| Name | Place of registered office | Share capital | Votes and ownership | Equity | Net profit/loss for the year |
|---|---|---|---|---|---|
| Cotes Shanghai Drying Systems Co Ltd. | Kina | RMB 1.617.415 | 32% | 17.582.390 | 2.849.224 |
| F-tech AS | Norge | NOK 100.000 | 25% | 1.991.863 | 642.881 |

All foreign associates are recognised and measured as separate entities.

## 11 Equity

The share capital is broken down as follow:

| | Number | Nominal value |
|---|---|---|
| | | DKK |
| A-shares | 500.000 | 500.000 |
| B-shares | 500.000 | 500.000 |
| C-shares | 325.000 | 325.000 |
| | | **1.325.000** |

# Notes to the Financial Statements

| | | 2018 | 2017 |
|---|---|---|---|
| | | DKK | DKK |
| **12** | **Contingent assets, liabilities and other financial obligations** | | |
| | **Charges and security** | | |
| | The following assets have been placed as security with bankers: | | |
| | Floating charge, TDKK 8.000, in intangible rights, inventories, trade receivables and property, plant and equipments with a carrying amount of | 17.842.402 | 20.013.557 |
| | **Rental and lease obligations** | | |
| | Lease obligations under operating leases. Total future lease payments: | | |
| | Within 1 year | 1.060.341 | 351.133 |
| | Between 1 and 5 years | 895.080 | 893.980 |
| | | **1.955.421** | **1.245.113** |
| | Obligation to designate buyer, operating leases. Expected residual value on expiry of lease | 625.676 | 365.897 |
| | Lease obligations, period of non-terminability 6-36 months | 1.427.016 | 1.912.114 |

# Notes to the Financial Statements

## 13 Accounting Policies

The Annual Report of Cotes A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2018 are presented in DKK.

### Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

### Leases

All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

# Notes to the Financial Statements

**13 Accounting Policies** (continued)

**Revenue**

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

**Expenses for raw materials and consumables**

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

**Other external expenses**

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

**Gross profit/loss**

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

**Staff expenses**

Staff expenses comprise wages and salaries as well as payroll expenses.

**Amortisation, depreciation and impairment losses**

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

# Notes to the Financial Statements

## 13 Accounting Policies (continued)

### Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

### Income from investments in subsidiaries and associates

Dividends from subsidiaries and associates are recognised as income in the income statement when adopted at the General Meeting of the companies. However, dividends relating to earnings in the companies before they were acquired by the Parent Company are set off against the cost of the companies.

### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

### Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

# Balance Sheet

### Intangible assets

***Development projects, patents and licences***

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs

# Notes to the Financial Statements

**13 Accounting Policies** (continued)

is allocated to the equity item "Reserve for development costs". The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 5 years.

**Property, plant and equipment**

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

| | | |
|---|---|---|
| Other fixtures and fittings, tools and equipment | 3-5 | years |
| Leasehold improvements | 5 | years |

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,500 are expensed in the year of acquisition.

**Impairment of fixed assets**

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

**Investments in subsidiaries and associates**

Investments in subsidiaries and associates are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

**Other fixed asset investments**

Other fixed asset investments consist of deposits.

# Notes to the Financial Statements

**13 Accounting Policies** (continued)

**Inventories**

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

**Receivables**

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

**Prepayments**

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

**Equity**

***Dividend***

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

**Deferred tax assets and liabilities**

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

# Notes to the Financial Statements

**13 Accounting Policies** (continued)

**Current tax receivables and liabilities**

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

**Financial debts**

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.