
Cotes A/S

Mariane Thomsens Gade , 2F, 11. 2., DK-8000 Aarhus C

Annual Report for 2020

CVR No. 15 20 03 32

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 8/4 2021

Thomas Rønnow
Chairman of the
general meeting



Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's statement	1
Independent Auditor's report	2
Management's Review	
Company information	4
Management's review	5
Financial Statements	
Income statement 1 January 2020 - 31 December 2020	6
Balance sheet 31 December 2020	7
Statement of changes in equity	9
Notes to the Financial Statements	10

Management's statement

The Executive Board and Board of Directors have today considered and adopted the Financial Statements of Cotes A/S for the financial year 1 January - 31 December 2020.

The Annual Report is 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 at 31 December 2020 of the Company and of the results of the Company operations for 2020.

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

We recommend that the Financial Statements be adopted at the Annual General Meeting.

Aarhus C, 8 April 2021

Executive Board

Thomas Rønnow
CEO

Board of Directors

Flemming Poulfelt
Chairman

Christina Aabo

Michael Ærø Olsen

Independent Auditor's report

To the shareholder 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 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 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 2020, 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 Financial 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.

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.

Independent Auditor's report

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, 8 April 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Brian Petersen

State Authorised Public Accountant

mne28701

Company information

The Company	Cotes A/S Mariane Thomsens Gade , 2F, 11. 2. DK-8000 Aarhus C Telephone: 58 19 63 22 Email: info@cotes.com Website: www.cotes.com CVR No: 15 20 03 32 Financial period: 1 January - 31 December Municipality of reg. office: Aarhus C
Board of Directors	Flemming Poulfelt, Chairman Christina Aabo Michael Ærø Olsen
Executive board	Thomas Rønnow
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Eventyrvej 16 4100 Ringsted
Bankers	Danske Bank Nytorv 1 4200 Slagelse

Management's review

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 2020 shows a profit of DKK 7,729,824, and at 31 December 2020 the balance sheet of the Company shows positive equity of DKK 14,331,722.

The overall results of the year are considered satisfactory.

The Company has during the year taking all relevant precautions related to protect our employees for potential infections by the covid-19 virus. In these actions we have succeeded, and our business have only been limited affected by the situation.

In 2020 the Company continued to improve its product program, both in terms of current products and new products. Allocation of resources for product improvements is of high importance to the Company, as it ensures to maintain the high quality level of the dehumidifiers and also helps to meet any demand for changes coming from our customers.

In 2020 the Company also established a new company in China. The new company will help to ensure a close dialogue with end customers in this region.

Strategy

The company will also for the coming period take all relevant precautions related to protect our employees against the covid-19 virus.

Further, the Company expects to strengthen its market position in year 2021, both as regards existing markets and new markets.

One of the new markets where the Company sees a high potential is the lithium battery manufacturing. The demand for lithium batteries expects to face an enormous growth, as the batteries is used in the car industry. As lithium battery manufacturing requires a very dry environment in manufacturing processes, the Company expect to deliver dehumidifiers based on our patented solution. Besides increasing the business activity in this new market, the Company also wish to support the green transition of the car industry.

Unusual events

The financial position at 31 December 2020 of the Company and the results of the activities and cash flows of the Company for the financial year for 2020 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	2020 DKK	2019 DKK
Gross profit/loss		36,008,548	30,053,926
Staff expenses	1	-25,007,671	-24,626,418
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	2	-955,801	-2,462,450
Profit/loss before financial income and expenses		10,045,076	2,965,058
Income from investments in associates	3	186,488	-15,552
Financial income	4	69,398	13
Financial expenses	5	-392,243	-471,192
Profit/loss before tax		9,908,719	2,478,327
Tax on profit/loss for the year	6	-2,178,895	-573,505
Net profit/loss for the year		7,729,824	1,904,822

Distribution of profit

	2020 DKK	2019 DKK
Proposed distribution of profit		
Extraordinary dividend paid	50,000	900,000
Proposed dividend for the year	4,300,000	1,400,000
Retained earnings	3,379,824	-395,178
	7,729,824	1,904,822

Balance sheet 31 December

Assets

	Note	2020 DKK	2019 DKK
Completed development projects		122,745	492,205
Acquired other similar rights		42,570	85,350
Development projects in progress		1,123,936	2,110,718
Intangible assets	7	1,289,251	2,688,273
Other fixtures and fittings, tools and equipment		954,165	293,168
Leasehold improvements		126,750	570,865
Property, plant and equipment	8	1,080,915	864,033
Investments in subsidiaries	9	1,456,547	515,183
Investments in associates	10	1,538,200	1,690,863
Other receivables		990,469	366,102
Fixed asset investments		3,985,216	2,572,148
Fixed assets		6,355,382	6,124,454
Raw materials and consumables		7,851,976	8,838,202
Finished goods and goods for resale		4,164,293	1,764,969
Inventories		12,016,269	10,603,171
Trade receivables		11,954,308	4,548,010
Contract work in progress		20,351	137,756
Receivables from group enterprises		13,028,948	0
Receivables from associates		3,562,894	5,259,835
Other receivables		1,708,261	2,597,839
Prepayments		687,623	762,423
Receivables		30,962,385	13,305,863
Cash at bank and in hand		588,300	868,299
Current assets		43,566,954	24,777,333
Assets		49,922,336	30,901,787

Balance sheet 31 December

Liabilities and equity

	Note	2020 DKK	2019 DKK
Share capital	11	1,325,000	1,325,000
Reserve for development costs		316,602	1,316,829
Retained earnings		8,390,120	3,851,997
Proposed dividend for the year		4,300,000	1,400,000
Equity		14,331,722	7,893,826
Provision for deferred tax		422,954	734,429
Provisions		422,954	734,429
Credit institutions		5,518,367	6,440,042
Other payables		2,352,129	852,021
Long-term debt	12	7,870,496	7,292,063
Credit institutions		7,183,340	2,699,348
Prepayments received from customers		14,153	115,022
Trade payables		4,955,522	5,843,194
Payables to group enterprises		1,645,646	907,927
Payables to associates		788,317	0
Corporation tax		2,300,804	261,148
Other payables		5,991,877	5,154,830
Deferred income		4,417,505	0
Short-term debt		27,297,164	14,981,469
Debt		35,167,660	22,273,532
Liabilities and equity		49,922,336	30,901,787
Contingent assets, liabilities and other financial obligations	13		
Accounting Policies	14		

Statement of changes in equity

	Share capital	Reserve for development costs	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	1,325,000	1,316,829	3,851,997	1,400,000	7,893,826
Ordinary dividend paid	0	0	0	-1,247,379	-1,247,379
Ordinary dividend on treasury shares	0	0	152,621	-152,621	0
Extraordinary dividend paid	0	0	-50,000	0	-50,000
Other equity movements	0	0	5,451	0	5,451
Development costs for the year	0	-769,690	769,690	0	0
Depreciation, amortisation and impairment for the year	0	-230,537	230,537	0	0
Net profit/loss for the year	0	0	3,429,824	4,300,000	7,729,824
Equity at 31 December	1,325,000	316,602	8,390,120	4,300,000	14,331,722

Notes to the Financial Statements

	2020	2019
	DKK	DKK
1. Staff Expenses		
Wages and salaries	22,400,786	21,406,599
Pensions	1,634,295	1,604,450
Other social security expenses	470,450	558,076
Other staff expenses	502,140	1,057,293
	25,007,671	24,626,418
 Average number of employees	 36	 39

	2020	2019
	DKK	DKK
2. Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		
Amortisation of intangible assets	412,241	1,989,751
Depreciation of property, plant and equipment	543,560	472,699
	955,801	2,462,450

	2020	2019
	DKK	DKK
3. Income from investments in associates		
Impairment of associates	-152,663	-300,000
Dividend	339,151	284,448
	186,488	-15,552

	2020	2019
	DKK	DKK
4. Financial income		
Interest received from group enterprises	37,291	0
Other financial income	5	13
Exchange gains	32,102	0
	69,398	13

Notes to the Financial Statements

	2020	2019
	DKK	DKK
5. Financial expenses		
Other financial expenses	392,243	353,765
Exchange loss	0	117,427
	392,243	471,192

	2020	2019
	DKK	DKK
6. Income tax expense		
Current tax for the year	2,300,804	797,148
Deferred tax for the year	-121,890	-223,643
Adjustment of deferred tax concerning previous years	-19	0
	2,178,895	573,505

7. Intangible fixed assets

	Completed development projects	Acquired other similar rights	Development projects in progress
	DKK	DKK	DKK
Cost at 1 January	6,277,311	128,342	3,376,452
Additions for the year	0	0	54,334
Disposals for the year	-2,893,288	0	-1,041,116
Cost at 31 December	3,384,023	128,342	2,389,670
Impairment losses and amortisation at 1 January	5,785,106	42,992	1,265,734
Amortisation for the year	369,460	42,780	0
Reversal of amortisation of disposals for the year	-2,893,288	0	0
Impairment losses and amortisation at 31 December	3,261,278	85,772	1,265,734
Carrying amount at 31 December	122,745	42,570	1,123,936

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	2,411,756	1,579,731
Additions for the year	760,441	0
Cost at 31 December	3,172,197	1,579,731
Impairment losses and depreciation at 1 January	2,118,588	1,008,866
Depreciation for the year	99,444	444,115
Impairment losses and depreciation at 31 December	2,218,032	1,452,981
Carrying amount at 31 December	954,165	126,750
	2020	2019
	DKK	DKK

9. Investments in subsidiaries

Cost at 1 January	515,183	515,183
Additions for the year	941,364	0
Cost at 31 December	1,456,547	515,183
Carrying amount at 31 December	1,456,547	515,183

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Ownership and Votes	Equity	Net profit/loss for the year
Cotes Polska z.o.o	Polen / Poland	PLN 280,000	100%	2,038,463	241,039
Cotes Dehumidification Shanghai co., ltd.	Shanghai	RMD 1.000,000	100%	1,709,669	781,232
				3,748,132	1,022,271

Notes to the Financial Statements

	2020 DKK	2019 DKK
10. Investments in associated companies		
Cost at 1 January	1,990,863	1,990,863
Cost at 31 December	1,990,863	1,990,863
Value adjustments at 1 January	-300,000	0
Revaluations for the year, net	-152,663	-300,000
Value adjustments at 31 December	-452,663	-300,000
Carrying amount at 31 December	1,538,200	1,690,863

All foreign associates are recognised and measured as separate entities.

11. Share capital

	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

The Company holds a total of 144,445 shares with a nominal value of DKK 144,445 corresponding to 10.9% of the total capital.

Notes to the Financial Statements

12. Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2020	2019
	DKK	DKK
Credit institutions		
After 5 years	0	1,073,401
Between 1 and 5 years	5,518,367	5,366,641
Long-term part	5,518,367	6,440,042
Within 1 year	1,287,020	1,254,985
Other short-term debt to credit institutions	5,896,320	1,444,363
Short-term part	7,183,340	2,699,348
	12,701,707	9,139,390
Other payables		
After 5 years	0	0
Between 1 and 5 years	2,352,129	852,021
Long-term part	2,352,129	852,021
Other short-term payables	5,991,877	5,154,830
	8,344,006	6,006,851

Notes to the Financial Statements

	2020 DKK	2019 DKK
13. Contingent assets, liabilities and other financial obligations		
Charges and security		
The following assets have been placed as security with bankers:		
Floating charge, kDKK 14,000, in intangible rights, inventories, trade receivables and property, plant and equipments with a carrying amount of	26,444,449	16,100,564
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	511,805	628,982
Between 1 and 5 years	138,495	653,526
	<u>650,300</u>	<u>1,282,508</u>
 Obligation to designate buyer, operating leases. Expected residual value on expiry agreement	 49,458	 132,526
Lease obligations, period of non-terminability 3-35 months	3,981,606	1,424,016

Notes to the Financial Statements

14. Accounting policies

The Annual Report of Cotes A/S for 2020 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 2020 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.

Income statement

Net sales

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.

Notes to the Financial Statements

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 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, work on own account recognised in assets, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees. The item is net of refunds made by public authorities.

Amortisation, depreciation and impairment losses

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

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.

The Company is jointly taxed with SRO Cotes ApS. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

Balance sheet

Intangible fixed assets

Development projects

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 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 2-5 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
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Leasehold improvements	3-5 years
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Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 14,100 are expensed in the year of acquisition.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment and investments 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.

Notes to the Financial Statements

Other fixed asset investments

Other fixed asset investments consist of deposits.

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 and costs of completion. 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 Dividend 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, including the tax base of tax loss carry-forwards, 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.

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.

Notes to the Financial Statements

Financial debts

Loans, such as 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.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.