
Cotes A/S

Ndr. Ringgade 70C, DK-4200 Slagelse

Annual Report for 2019

CVR-nr. 15 20 03 32

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 26/5 2020

Thomas Rønnow
Chairman of the
general meeting



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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 2019.

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, 26 May 2020

Executive Board

Thomas Rønnow
chief executive officer

Board of Directors

Flemming Poulfelt

Thomas Rønnow

Christina Aabo

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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Cotes A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet 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, 26 May 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Brian Petersen

State Authorized Public Accountant

mne28701

Simon Daniel Jensen

State Authorized Public Accountant

mne45890

Company information

The Company	Cotes A/S Ndr. Ringgade 70C DK-4200 Slagelse 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: Slagelse
Board of Directors	Flemming Poulfelt Thomas Rønnow Christina Aabo
Executive board	Thomas Rønnow
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Eventyrvej 16 4100 Ringsted
Bankers	Danske Bank Nytorg 1 DK-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 2019 shows a profit of DKK 1,904,822, and at 31 December 2019 the balance sheet of the Company shows positive equity of DKK 7,893,826.

The overall results for the year are considered satisfactory.

In 2019, 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 more resources have been used to digitalize the company; as example this include starting upgrade of current ERP system and more attention to digital advertising. All actions should give the basis for additional growth in the years ahead.

Strategy

The Company expects to strengthen its market position in 2020, both as regards existing markets, new markets and new product areas.

The company expects to adapt and strengthen its organization, in order to meet future demands in best possible way.

The Company expects to show a profit for 2020.

Unusual events

The financial position at 31 December 2019 of the Company and the results of the activities of the Company for the financial year for 2019 have not been affected by any unusual events.

Subsequent events

Since closing of financial position year end 2019, the world has faced an outbreak of Covid-19 ("corona-virus"). In the Company all general precautions related to protect our employees for potential infection has been implemented. From the business point of view the Company have not – so far - experienced decline in the activity. Unless we see further restrictions in the society (for example curfew or closing borders), it is our hope and clear expectation that the Company will only see limited negative impact on the business during year 2020.

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

Income statement 1 January - 31 December

	Note	2019 DKK	2018 DKK
Gross profit/loss		30,053,926	29,596,288
Staff expenses	1	-24,626,418	-25,176,233
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	2	-2,462,450	-1,846,510
Profit/loss before financial income and expenses		2,965,058	2,573,545
Income from investments in associates	3	-15,552	0
Financial income	4	13	0
Financial expenses	5	-471,192	-311,918
Profit/loss before tax		2,478,327	2,261,627
Tax on profit/loss for the year	6	-573,505	-522,880
Net profit/loss for the year		1,904,822	1,738,747

Distribution of profit

	2019 DKK	2018 DKK
Proposed distribution of profit		
Extraordinary dividend paid	900,000	0
Proposed dividend for the year	1,400,000	0
Retained earnings	-395,178	1,738,747
	1,904,822	1,738,747
Extraordinary dividend after year end	0	900,000

Balance sheet 31 December

Assets

	Note	2019 DKK	2018 DKK
Completed development projects		492,205	625,386
Acquired other similar rights		85,350	55,275
Development projects in progress		2,110,718	2,682,183
Intangible assets	7	2,688,273	3,362,844
Other fixtures and fittings, tools and equipment		293,168	202,274
Leasehold improvements		570,865	776,771
Property, plant and equipment	8	864,033	979,045
Investments in subsidiaries	9	515,183	515,183
Investments in associates	10	1,690,863	1,990,863
Other receivables		366,102	366,102
Fixed asset investments		2,572,148	2,872,148
Fixed assets		6,124,454	7,214,037
Raw materials and consumables		8,838,202	6,883,914
Finished goods and goods for resale		1,764,969	2,285,658
Inventories		10,603,171	9,169,572
Trade receivables		4,548,010	7,638,510
Contract work in progress		137,756	0
Receivables from associates		5,259,835	2,473,908
Other receivables		2,597,839	1,211,539
Prepayments		762,423	928,870
Receivables		13,305,863	12,252,827
Cash at bank and in hand		868,299	1,540,990
Current assets		24,777,333	22,963,389
Assets		30,901,787	30,177,426

Balance sheet 31 December

Liabilities and equity

	Note	2019 DKK	2018 DKK
Share capital		1,325,000	1,325,000
Reserve for development costs		1,316,829	1,451,321
Retained earnings		3,851,997	12,112,683
Proposed dividend for the year		1,400,000	0
Equity	11	7,893,826	14,889,004
Provision for deferred tax		734,429	958,072
Provisions		734,429	958,072
Credit institutions		6,440,042	0
Other payables		852,021	0
Long-term debt	12	7,292,063	0
Credit institutions		2,699,348	3,456,481
Prepayments received from customers		115,022	111,339
Trade payables		5,843,194	3,042,264
Payables to group enterprises		907,927	1,569,351
Corporation tax		261,148	534,304
Other payables		5,154,830	5,616,611
Short-term debt		14,981,469	14,330,350
Debt		22,273,532	14,330,350
Liabilities and equity		30,901,787	30,177,426

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Notes to the financial statement

	2019 DKK	2018 DKK
1. Staff Expenses		
Wages and salaries	21,406,599	21,678,567
Pensions	1,604,450	1,700,635
Other social security expenses	558,076	538,865
Other staff expenses	1,057,293	1,258,166
	24,626,418	25,176,233
 Average number of employees	 39	 42
	2019 DKK	2018 DKK
2. Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		
Amortisation of intangible assets	1,989,751	1,423,284
Depreciation of property, plant and equipment	472,699	423,226
	2,462,450	1,846,510
	2019 DKK	2018 DKK
3. Income from investments in associates		
Impairment of associates	-300,000	0
Dividend	284,448	0
	-15,552	0
	2019 DKK	2018 DKK
4. Financial income		
Other financial income	13	0
	13	0

Notes to the financial statement

5. Financial expenses

	2019 DKK	2018 DKK
Other financial expenses	353,765	204,636
Exchange loss	117,427	107,282
	<u>471,192</u>	<u>311,918</u>

6. Income tax expense

	2019 DKK	2018 DKK
Current tax for the year	797,148	612,304
Deferred tax for the year	-223,643	-89,424
	<u>573,505</u>	<u>522,880</u>

Notes to the financial statement

7. Intangible fixed assets

	Completed development projects	Acquired other similar rights	Develop- ment projects in progress
	DKK	DKK	DKK
Cost at 1 January	5,686,199	73,700	2,707,026
Additions for the year	0	54,642	1,260,538
Transfers for the year	591,112	0	-591,112
Cost at 31 December	6,277,311	128,342	3,376,452
Impairment losses and amortisation at 1 January	5,060,813	18,425	24,843
Impairment losses for the year	0	0	1,240,891
Amortisation for the year	724,293	24,567	0
Impairment losses and amortisation at 31 December	5,785,106	42,992	1,265,734
Carrying amount at 31 December	492,205	85,350	2,110,718

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.

The second group of projects concerns the development of “new dehumidifiers” or achievement of new knowledge related to the use of dehumidifiers into our 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 A/S has the expertise in humidity management and the customer has the expertise in the needs for the given market. End of year 2019, three development projects in this group is “in process” (not finalized).

Notes to the financial statement

8. Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK	DKK
Cost at 1 January	2,236,885	1,396,915
Additions for the year	174,871	182,816
Cost at 31 December	2,411,756	1,579,731
Impairment losses and depreciation at 1 January	2,034,611	620,144
Depreciation for the year	83,977	388,722
Impairment losses and depreciation at 31 December	2,118,588	1,008,866
Carrying amount at 31 December	293,168	570,865
	2019	2018
	DKK	DKK

9. Investments in subsidiaries

Cost at 1 January	515,183	515,183
Cost at 31 December	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	Ownership and Votes	Equity	Net profit/loss for the year
Cotes Polska z.o.o	Polen / Poland	PLN 280.000	100%	1,834,575	464,881
				1,834,575	464,881

All foreign subsidiaries are recognised and measured as separate entities.

Notes to the financial statement

	<u>2019</u>	<u>2018</u>
	DKK	DKK
10. Investments in associated companies		
Cost at 1 January	1,990,863	452,663
Additions for the year	<u>0</u>	<u>1,538,200</u>
Cost at 31 December	<u>1,990,863</u>	<u>1,990,863</u>
Revaluations for the year, net	<u>-300,000</u>	<u>0</u>
Value adjustments at 31 December	<u>-300,000</u>	<u>0</u>
Carrying amount at 31 December	<u>1,690,863</u>	<u>1,990,863</u>

All foreign associates are recognised and measured as separate entities.

Notes to the financial statement

11. 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	1,451,321	12,112,683	0	14,889,004
Extraordinary dividend paid	0	0	-900,000	0	-900,000
Purchase of treasury shares	0	0	-8,000,000	0	-8,000,000
Development costs for the year	0	983,220	-983,220	0	0
Depreciation, amortisation and impairment for the year	0	-1,117,712	1,117,712	0	0
Net profit/loss for the year	0	0	504,822	1,400,000	1,904,822
Equity at 31 December	1,325,000	1,316,829	3,851,997	1,400,000	7,893,826

	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

On 30 September 2019, the Company acquired 144,445 treasury shares, corresponding to 10.9%. The total payment for the shares amounted to kDKK 8,000, which has been transferred from retained earnings under equity. These shares have not been cancelled and are therefore held as treasury shares. The Company may choose to sell these shares at a later time. The shares have been acquired as part of the Company's strategy.

Notes to the financial statement

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:

	2019 DKK	2018 DKK
Credit institutions		
After 5 years	1,073,401	0
Between 1 and 5 years	5,366,641	0
Long-term part	6,440,042	0
Within 1 year	1,254,985	0
Other short-term debt to credit institutions	1,444,363	3,456,481
Short-term part	2,699,348	3,456,481
	9,139,390	3,456,481
Other payables		
After 5 years	0	0
Between 1 and 5 years	852,021	0
Long-term part	852,021	0
Other short-term payables	5,154,830	5,616,611
	6,006,851	5,616,611

Notes to the financial statement

	2019	2018
	DKK	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	15,894,359	17,842,402
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	628,982	1,060,341
Between 1 and 5 years	653,526	895,080
	<u>1,282,508</u>	<u>1,955,421</u>
 Obligation to designate buyer, operating leases. Expected residual value on expiry of lease	 132,526	 625,676
Lease obligations, period of non-terminability 6-36 months	1,013,497	1,427,016

Notes to the financial statement

14. Accounting policies

The Annual Report for Cotes A/S for 2019 has been prepared in accordance with the Danish Financial Statements Act for companies in 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 2019 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 statement

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, production wages 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.

Notes to the financial statement

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, tool 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 13,800 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 statement

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 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 statement

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.