



Stenhøj Holding A/S

Barrit Langgade 188-190
7150 Barrit
CVR No. 16174394

Annual report 2020

The Annual General Meeting adopted the
annual report on 05.07.2021

Martin Klitgaard

Chairman of the General Meeting

Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2020	8
Balance sheet at 31.12.2020	9
Statement of changes in equity for 2020	11
Notes	12
Accounting policies	18

Entity details

Entity

Stenhøj Holding A/S

Barrit Langgade 188-190

7150 Barrit

CVR No.: 16174394

Registered office: Hedensted

Financial year: 01.01.2020 - 31.12.2020

Board of Directors

Cinzia Corghi

Giulio Corghi

Claudio Spiritelli

John Bøgholm Frederiksen

Claus Jul Justesen

Executive Board

Claudio Spiritelli

Martin Klitgaard

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Stenhøj Holding A/S for the financial year 01.01.2020 - 31.12.2020.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020.

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

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

Barrit, 05.07.2021

Executive Board

Claudio Spiritelli

Martin Klitgaard

Board of Directors

Cinzia Corghi

Giulio Corghi

Claudio Spiritelli

John Bøgholm Frederiksen

Claus Jul Justesen

Independent auditor's report

To the shareholders of Stenhøj Holding A/S

Opinion

We have audited the financial statements of Stenhøj Holding A/S for the financial year 01.01.2020 - 31.12.2020, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Odense, 05.07.2021

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Bo Damgaard Hansen

State Authorised Public Accountant
Identification No (MNE) mne34543

Management commentary

Primary activities

Stenhøj Holding A/S is the ultimate holding company in Stenhøj Group fully owned by Nexion Group. The Company is responsible for the overall management and administration of the Stenhøj Group.

Profit/loss for the year in relation to expected developments

The expectations last year for 2020 was a loss in the range of DKK 8-10 million. The loss realized extend this range. The loss can primarily be explained by the impact from Covid-19. Management consider the result for 2020 unsatisfactory.

Outlook

Stenhøj Group has been through a transformation where the business have been transformed to principles applied by Nexion Group.

Stenhøj Group has positive expectations for 2021 and expect a profit before tax in the range of DKK 0-5 million.

Events after the balance sheet date

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

Income statement for 2020

	Notes	2020 DKK'000	2018/19 DKK'000
Gross profit/loss		29,700	43,413
Administrative expenses		(33,600)	(70,359)
Other operating expenses		(553)	76
Operating profit/loss		(4,453)	(26,870)
Income from investments in group enterprises		(17,747)	(26,722)
Income from investments in associates		376	(1,169)
Other financial income	3	7,469	5,547
Other financial expenses	4	(4,603)	(6,345)
Profit/loss before tax		(18,958)	(55,559)
Tax on profit/loss for the year	5	1,514	794
Profit/loss for the year		(17,444)	(54,765)
Proposed distribution of profit and loss			
Retained earnings		(17,444)	(54,765)
Proposed distribution of profit and loss		(17,444)	(54,765)

Balance sheet at 31.12.2020

Assets

	Notes	2020 DKK'000	2018/19 DKK'000
Completed development projects	7	5,823	6,626
Acquired trademarks		9,609	10,163
Goodwill		0	0
Development projects in progress	7	173	1,717
Intangible assets	6	15,605	18,506
Land and buildings		5,893	5,460
Plant and machinery		6,528	8,275
Other fixtures and fittings, tools and equipment		920	2,337
Property, plant and equipment	8	13,341	16,072
Investments in group enterprises		141,118	128,871
Receivables from group enterprises		19,534	19,220
Investments in associates		1,622	1,674
Financial assets	9	162,274	149,765
Fixed assets		191,220	184,343
Receivables from group enterprises		10,242	116,725
Deferred tax		6,700	6,700
Other receivables		1,550	1,946
Prepayments		881	809
Receivables		19,373	126,180
Cash		330	39
Current assets		19,703	126,219
Assets		210,923	310,562

Equity and liabilities

	Notes	2020 DKK'000	2018/19 DKK'000
Contributed capital	10	17,428	17,428
Reserve for net revaluation according to the equity method		0	1,790
Reserve for development expenditure		4,542	6,403
Retained earnings		(4,036)	13,179
Equity		17,934	38,800
Mortgage debt		16,419	16,753
Lease liabilities		2,463	4,383
Debt to other credit institutions		7,338	13,032
Other payables		570	237
Non-current liabilities other than provisions	11	26,790	34,405
Current portion of non-current liabilities other than provisions	11	9,175	9,745
Payables to other credit institutions		87,241	111,819
Trade payables		1,901	2,445
Payables to group enterprises		63,065	107,143
Other payables	12	4,817	6,205
Current liabilities other than provisions		166,199	237,357
Liabilities other than provisions		192,989	271,762
Equity and liabilities		210,923	310,562
Staff costs	1		
Contingent liabilities	13		
Assets charged and collateral	14		
Related parties with controlling interest	15		
Non-arm's length related party transactions	16		
Group relations	17		

Statement of changes in equity for 2020

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	17,428	1,790	6,403	13,179	38,800
Exchange rate adjustments	0	0	0	(3,062)	(3,062)
Other entries on equity	0	0	0	(281)	(281)
Tax of entries on equity	0	0	0	(79)	(79)
Transfer to reserves	0	(1,790)	(1,861)	3,651	0
Profit/loss for the year	0	0	0	(17,444)	(17,444)
Equity end of year	17,428	0	4,542	(4,036)	17,934

Notes

1 Staff costs

	2020 DKK'000	2018/19 DKK'000
Wages and salaries	9,472	34,356
Pension costs	651	1,516
Other social security costs	263	370
	10,386	36,242

2 Other operating income

Gross profit/loss include other operating income items which include compensation received from the aid schemes established as a result of the outbreak and spread of COVID-19.

The company has received compensation for wages the total amount applied for at 31.12.2020 is 409k DKK.

3 Other financial income

	2020 DKK'000	2018/19 DKK'000
Financial income from group enterprises	2,190	3,254
Exchange rate adjustments	4,001	635
Other financial income	1,278	1,658
	7,469	5,547

4 Other financial expenses

	2020 DKK'000	2018/19 DKK'000
Financial expenses from group enterprises	561	579
Other interest expenses	4,042	4,717
Exchange rate adjustments	0	1,049
	4,603	6,345

5 Tax on profit/loss for the year

	2020 DKK'000	2018/19 DKK'000
Change in deferred tax	(1,891)	(794)
Adjustment concerning previous years	377	0
	(1,514)	(794)

6 Intangible assets

	Completed development projects DKK'000	Acquired trademarks DKK'000	Goodwill DKK'000	Development projects in progress DKK'000
Cost beginning of year	13,090	11,653	125	1,717
Transfers	5,102	0	0	(1,544)
Additions	137	0	0	0
Disposals	(696)	0	0	0
Cost end of year	17,633	11,653	125	173
Amortisation and impairment losses beginning of year	(6,464)	(1,490)	(125)	0
Transfers	(1,766)	0	0	0
Amortisation for the year	(3,801)	(554)	0	0
Reversal regarding disposals	221	0	0	0
Amortisation and impairment losses end of year	(11,810)	(2,044)	(125)	0
Carrying amount end of year	5,823	9,609	0	173

7 Development projects

The basis for capitalising the development projects are that these reflect investments in products and technologies of importance to the future business of the group since they are expected to ensure a competitive edge in the market. No indications of impairment was identified at the balance sheet date.

8 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000
Cost beginning of year	59,900	52,800	19,211
Additions	0	210	310
Disposals	0	0	(2,311)
Cost end of year	59,900	53,010	17,210
Depreciation and impairment losses beginning of year	(54,440)	(44,525)	(16,874)
Transfers	1,082	0	0
Depreciation for the year	(649)	(1,957)	(545)
Reversal regarding disposals	0	0	1,129
Depreciation and impairment losses end of year	(54,007)	(46,482)	(16,290)
Carrying amount end of year	5,893	6,528	920

9 Financial assets

	Investments in group enterprises DKK'000	Receivables from group enterprises DKK'000	Investments in associates DKK'000
Cost beginning of year	166,543	19,220	1,053
Additions	63,000	314	0
Disposals	(100)	0	0
Cost end of year	229,443	19,534	1,053
Revaluations beginning of year	(37,672)	0	621
Disposals on divestments etc	(1,001)	0	0
Exchange rate adjustments	(3,724)	0	0
Amortisation of goodwill	(795)	0	0
Share of profit/loss for the year	(18,563)	0	(52)
Adjustment of intra-group profits	(2,124)	0	0
Impairment losses for the year	(2,636)	0	0
Investments with negative equity value depreciated over receivables	(26,467)	0	0
Other adjustments	4,657	0	0
Revaluations end of year	(88,325)	0	569
Carrying amount end of year	141,118	19,534	1,622

Hereof non amortised goodwill at 5.6m DKK.

Investments in subsidiaries	Registered in	Corporate form	Equity interest %
Stenhøj A/S	Barrit	A/S	100
Stenhøj DK A/S	Barrit	A/S	100
GEMCO Corporate Management Ltd.	Northampton, England	Ltd	100
GEMCO Equipment Ltd.	Northampton, England	Ltd	100
GEMCO Service Ltd.	Northampton, England	Ltd	100
GEMCO Property Management Ltd.	Hebden Bridge, England	Ltd	100
STH Holding GmbH	Rheine, Germany	GmbH	100
Autop Maschinenbau GmbH	Rheine, Germany	GmbH	100
Sherpa Autodiagnostik GmbH	Mühldorf an Inn, Germany	GmbH	100
Perkute Autodiagnostik GmbH	Rheine, Germany	GmbH	100
Stenhøj Romania SRL	Cluj, Romania	SRL	100
Stenhøj PTY Ltd.	Mona Vale, Australia	Ltd	85
Tecalemit OY	Vantaa, Finland	OY	100
UAB Tecalemit	Vilnius, Lithuania	Ltd	100
Tecalemit AS	Talinn, Estonia	AS	100

Investments in associates	Registered in	Corporate form	Equity interest %
Verksted & Industriservice AS	Norway	AS	45

10 Share capital

	Number	Par value DKK'000	Nominal value DKK'000
Shares	17,427,884	1	17,427,884
	17,427,884		17,427,884

11 Non-current liabilities other than provisions

	Due within 12 months 2020 DKK'000	Due within 12 months 2018/19 DKK'000	Due after more than 12 months 2020 DKK'000	Outstanding after 5 years 2020 DKK'000
Mortgage debt	2,094	2,126	16,419	6,269
Lease liabilities	1,386	1,924	2,463	0
Debt to other credit institutions	5,695	5,695	7,338	0
Other payables	0	0	570	0
	9,175	9,745	26,790	6,269

Mortgage debt includes the fair value of hedging instruments of DKK 1.749. The hedging instruments has been entered to secure a fixed interest rate on the company's variable-rate bank loans. The hedging instruments has a principal of DKK 14,3 million and secures a fixed interest rate of 2% for the remaining term of 7 years. The hedging instruments and bank debt are entered into with the same counterparty.

12 Other payables

	2020 DKK'000	2018/19 DKK'000
VAT and duties	720	117
Wages and salaries, personal income taxes, social security costs, etc payable	3,474	2,898
Derivative financial instruments	0	2,109
Other costs payable	623	1,081
	4,817	6,205

13 Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

14 Assets charged and collateral

Mortgage debt is secured by way of mortgage on buildings. The mortgage also comprises the plant and machinery deemed part of the property. The carrying amount of mortgaged buildings amounts to 5,893k DKK.

In addition to the parent company's own obligations, the mortgage is collateral for the bank's balances with a number of subsidiaries.

In addition to the entitie's own obligations, the mortgage is collateral for the bank's balances with a number of subsidiaries. The Entity has guaranteed the debt in most of it subsidiaries.

15 Related parties with controlling interest

Nexion S.p.A, Corregio, Italy owns all shares in the Entity, thus exercising control.

16 Non-arm's length related party transactions

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

17 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Nexion S.p.A, Corregio, Italy

Copies of the consolidated financial statements of Nexion S.p.A may be ordered at the following address:
Barrit Langgade 188 - 190, 7150 Barrit

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

The currency has been changed compared to last year due to no consolidated financial statements this year and therefor a change in the primarily users of the financial statements to a more local perspective.

Furthermore the annual report is now presented in DKK instead of EUR last year. This change is decided with regards to the viewers of the financial statements on a collective basis and the fact that EUR has increased the complexity in the annual report for the viewers.

Consolidated financial statements

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Non-comparability

The financial years are not comparable do to a change in length off the financial year. The current financial year covers 12 months, where last financial year covered 18 months.

Recognition and measurement

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

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

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

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

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

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, costs directly associated to the revenue and other operating income.

Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Administrative expenses

Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Other operating income

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

Other operating expenses

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

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Income from investments in associates

Income from investments in associates comprises the pro rata share of the individual associates' profit/loss after pro rata elimination of intra-group profits or losses.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

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

Tax on profit/loss for the year

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

The Entity is jointly taxed with all Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet**Goodwill**

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by

Management for each business area. The useful life of goodwill has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 10 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

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

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 5 years.

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

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

Property, plant and equipment

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

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

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

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

Buildings	25 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-5 years

Estimated useful lives and residual values are reassessed annually.

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

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve for net revaluation according to the equity method in equity.

Goodwill is the positive difference between cost of investments and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. The useful life of goodwill has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 10 years.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Investments in associates

Investments in associates are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the associates' equity value.

Upon distribution of profit or loss, net revaluation of investments in associates is transferred to reserve for net revaluation according to the equity method in equity.

Investments in associates are written down to the lower of recoverable amount and carrying amount.

Receivables

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

Deferred tax

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

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

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Mortgage debt

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

Lease liabilities

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

Other financial liabilities

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