



## JVL A/S

Bregnerødvej 127  
3460 Birkerød  
CVR No. 18532379

## Annual report 2019

The Annual General Meeting adopted the  
annual report on 04.06.2020

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**Henrik Hoeck**

Chairman of the General Meeting

# Contents

Entity details	2
Statement by Management	3
Independent auditor's extended review report	4
Management commentary	6
Income statement for 2019	8
Balance sheet at 31.12.2019	9
Statement of changes in equity for 2019	11
Cash flow statement for 2019	12
Notes	13
Accounting policies	16

# Entity details

## Entity

JVL A/S

Bregnerødvej 127

3460 Birkerød

CVR No.: 18532379

Registered office: Rudersdal

Financial year: 01.01.2019 - 31.12.2019

## Board of Directors

Henrik Hoeck, Chairman

Bo Valeur Jessen

Mads Vernon Jørgensen

## Executive Board

Mads Vernon Jørgensen

## Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

P. O. Box 1600

0900 Copenhagen C

# Statement by Management

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

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

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

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

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

Birkerød, 04.06.2020

## Executive Board

**Mads Vernon Jørgensen**

## Board of Directors

**Henrik Hoeck**  
Chairman

**Bo Valeur Jessen**

**Mads Vernon Jørgensen**

# Independent auditor's extended review report

To the shareholders of JVL A/S

## Conclusion

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

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

## Basis for conclusion

We conducted our extended review in accordance with the assurance engagement standard for small enterprises as issued by the Danish Business Authority and the standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act as issued by FSR - Danish Auditors. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the extended review of the financial statements" section. We are independent of the Entity 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 evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

## 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, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting 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 extended review of the financial statements

Our responsibility is to express a conclusion on the financial statements. This requires that we plan and perform procedures to obtain limited assurance about our conclusion on the financial statements and that we also perform specifically required supplementary procedures for the purpose of obtaining additional assurance about our conclusion.

An extended review consists of making inquiries, primarily of management and, if appropriate, of other entity

personnel, performing analytical and the specifically required supplementary procedures as well as evaluating the evidence obtained.

The procedures performed in an extended review are less in scope than in an audit, and accordingly we do not express an audit opinion on the financial statements.

#### **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 extended review 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 extended review 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 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.

Copenhagen, 04.06.2020

#### **Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR No. 33963556

#### **Keld Juel Danielsen**

State Authorised Public Accountant  
Identification No (MNE) mne26741

# Management commentary

## Primary activities

The Company's activities comprise development, production and sale of electronic motor control systems focussing on integrated servo systems and stepping motor control systems. The products are used in the manufacturing sector for automation.

Sales in Denmark are effected by the Company, whereas sales in the export markets are attended to by the Company, subsidiary in UK and Turkey, dealers, partners and agents.

The Company has maintained its focus on exports by establishing new dealer networks and taking in partners and customers from all over the world.

To supplement sales through dealers, the Company will increase its focus on direct sales to end users, primarily in markets where it has no dealers and in new markets.

JVL International ApS, handles sales to the U.S., through 25 active dealers. The US activities have seen significant progress, and considerable orders were landed during the year. Agent in US attend to sale and support to the US dealers.

The sales office in Germany with 2 people has seen increasing activities, and focus is on direct sales to end users.

The sales office in Turkey with 1 person has seen increasing activities, and focus is on more volume on sales projects.

In general, all companies focus on bulk sales and long-term customer and dealer contracts rather than on project-based one-off sales.

## Development in activities and finances

2019 was a very satisfactory year for JVL Industri Elektronik A/S.

The Company recruited new staff in production, development and sales, and managed to retain all key staff members.

The rise in revenue was as expected. Profit for the year was higher than anticipated, which Management finds very satisfactory

Profit for the year amounts to EUR 966k compared to a profit of EUR 1,078 in 2018, which is satisfactory.

The Company's balance sheet shows total assets of EUR 10,228k and equity of EUR 6,372k.

For competitive reasons, Management has decided not to disclose revenue in the annual report, see the exemption rules of the Danish Financial Statements Act.

## Development costs

As in prior years, the Company capitalised own development costs in the amount of EUR 227k.

**Investments**

In the financial year, the Company has not invested in fixed assets.

**Outlook**

The volume of orders is satisfactory. Sales until April 2020 is 5% above same period last year.

The outbreak and spread of COVID-19 at the beginning of 2020 has created uncertainty about the future customer demand in certain industries, while increased demand from other and new industries has been experienced.

There has until now been no significant indications of a greater decline in demand, but the long-term impact is difficult to predict, and management follows developments closely.

The establishment of dealer networks, is continuing in 2020, entailing that the dealer networks are more comprehensive than ever before.

The increase in revenue has primarily occurred in Italy and in the Benelux countries and that is expected to continue in the future. The new partners expects to have a big impact on the revenue of 2020.

Turkish sales company established with start in January 2016 have had a small sales increase in 2019 and is expected that sales would significantly increase in 2020 onwards.

In order to strengthen revenue at JVL UK, which is in charge of sales in the UK, Northern Ireland and Canada, one seller is recruited in 2018 in United Kingdom, which is expected to contribute significantly with additional sales in 2020 onwards.

The Company has very positive expectations for the German market and with a new large dealer in Northern Germany combined with realized projects the Company expects increasing revenue.

In the long term it might requires to set up a sales Company in Germany to further strengthen the marketing.

Based on newly developed products and strengthened customer relations, dealer networks, subsidiaries and sales offices, the Company has positive expectations for the future.

Based on a satisfactory order intake, the Company expects an revenue at the same level as in 2019. Profit for the year of 2020 is expected to be in line with 2019 due to slight decline in margin and hiring of new staff.

**Events after the balance sheet date**

As mentioned above the outbreak and spread of COVID-19 at the beginning of 2020 has created uncertainty about the future customer demand in certain industries, while increased demand from other and new industries has been experienced.

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



# Income statement for 2019

	Notes	2019 EUR	2018 EUR
<b>Gross profit/loss</b>		<b>2,607,601</b>	<b>2,863,589</b>
Distribution costs		(1,148,399)	(1,061,545)
Administrative expenses		(735,079)	(711,024)
<b>Operating profit/loss</b>		<b>724,123</b>	<b>1,091,020</b>
Income from investments in group enterprises		430,261	279,807
Other financial income		40,905	13,624
Other financial expenses		(76,300)	(78,850)
<b>Profit/loss before tax</b>		<b>1,118,989</b>	<b>1,305,601</b>
Tax on profit/loss for the year	3	(152,706)	(227,944)
<b>Profit/loss for the year</b>		<b>966,283</b>	<b>1,077,657</b>
<b>Proposed distribution of profit and loss</b>			
Ordinary dividend for the financial year		269,179	269,179
Retained earnings		697,104	808,478
<b>Proposed distribution of profit and loss</b>		<b>966,283</b>	<b>1,077,657</b>

# Balance sheet at 31.12.2019

## Assets

	Notes	2019 EUR	2018 EUR
Completed development projects	5	273,464	116,978
<b>Intangible assets</b>	4	<b>273,464</b>	<b>116,978</b>
Land and buildings		2,273,295	2,353,404
Other fixtures and fittings, tools and equipment		2,245	8,976
<b>Property, plant and equipment</b>	6	<b>2,275,540</b>	<b>2,362,380</b>
Investments in group enterprises		1,432,914	1,252,654
<b>Other financial assets</b>	7	<b>1,432,914</b>	<b>1,252,654</b>
<b>Fixed assets</b>		<b>3,981,918</b>	<b>3,732,012</b>
Raw materials and consumables		1,021,914	1,250,917
Work in progress		144,734	157,844
Manufactured goods and goods for resale		1,816,439	1,782,975
<b>Inventories</b>		<b>2,983,087</b>	<b>3,191,736</b>
Trade receivables		696,667	678,759
Receivables from group enterprises		226,693	0
Other receivables		27,750	17,223
Income tax receivable		67,774	0
Joint taxation contribution receivable		11,190	51,855
Prepayments		23,946	73,553
<b>Receivables</b>		<b>1,054,020</b>	<b>821,390</b>
Other investments		272	276
<b>Other investments</b>		<b>272</b>	<b>276</b>
<b>Cash</b>		<b>2,208,712</b>	<b>1,961,812</b>
<b>Current assets</b>		<b>6,246,091</b>	<b>5,975,214</b>
<b>Assets</b>		<b>10,228,009</b>	<b>9,707,226</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2019 EUR</b>	<b>2018 EUR</b>
Contributed capital	8	67,295	67,295
Reserve for net revaluation according to the equity method		1,356,728	1,220,264
Reserve for development expenditure		213,302	85,922
Retained earnings		4,465,884	4,032,624
Proposed dividend		269,179	269,179
<b>Equity</b>		<b>6,372,388</b>	<b>5,675,284</b>
Deferred tax		96,189	66,767
<b>Provisions</b>		<b>96,189</b>	<b>66,767</b>
Mortgage debt		923,017	988,886
<b>Non-current liabilities other than provisions</b>	9	<b>923,017</b>	<b>988,886</b>
Current portion of non-current liabilities other than provisions	9	64,736	64,597
Bank loans		11,063	48,238
Deposits		16,151	16,151
Prepayments received from customers		0	27,820
Trade payables		331,467	202,563
Payables to group enterprises		580,358	896,840
Payables to shareholders and management		1,341,528	1,227,443
Income tax payable		0	44,052
Other payables		491,112	448,585
<b>Current liabilities other than provisions</b>		<b>2,836,415</b>	<b>2,976,289</b>
<b>Liabilities other than provisions</b>		<b>3,759,432</b>	<b>3,965,175</b>
<b>Equity and liabilities</b>		<b>10,228,009</b>	<b>9,707,226</b>
Staff costs	1		
Amortisation, depreciation and impairment losses	2		
Contingent liabilities	11		
Assets charged and collateral	12		

# Statement of changes in equity for 2019

	Contributed capital EUR	Reserve for net revaluation according to the equity method EUR	Reserve for development expenditure EUR	Retained earnings EUR	Proposed dividend EUR
Equity beginning of year	67,295	1,220,264	85,922	4,032,624	269,179
Ordinary dividend paid	0	0	0	0	(269,179)
Transfer to reserves	0	0	127,380	(127,380)	0
Profit/loss for the year	0	136,464	0	560,640	269,179
<b>Equity end of year</b>	<b>67,295</b>	<b>1,356,728</b>	<b>213,302</b>	<b>4,465,884</b>	<b>269,179</b>

	Total EUR
Equity beginning of year	5,675,284
Ordinary dividend paid	(269,179)
Transfer to reserves	0
Profit/loss for the year	966,283
<b>Equity end of year</b>	<b>6,372,388</b>

# Cash flow statement for 2019

	Notes	2019 EUR	2018 EUR
Operating profit/loss		724,123	1,091,020
Amortisation, depreciation and impairment losses		157,454	126,758
Working capital changes	10	(55,659)	(555,877)
<b>Cash flow from ordinary operating activities</b>		<b>825,918</b>	<b>661,901</b>
Financial income received		40,905	13,624
Financial expenses paid		(76,300)	(78,850)
Income taxes refunded/(paid)		(194,444)	(114,183)
<b>Cash flows from operating activities</b>		<b>596,079</b>	<b>482,492</b>
Acquisition etc of intangible assets		(227,100)	(48,038)
Dividends received		250,000	200,000
Loans		0	(1,544)
<b>Cash flows from investing activities</b>		<b>22,900</b>	<b>150,418</b>
Repayments of loans etc		(65,730)	(64,821)
Dividend paid		(269,179)	(269,179)
<b>Cash flows from financing activities</b>		<b>(334,909)</b>	<b>(334,000)</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>284,070</b>	<b>298,910</b>
Cash and cash equivalents beginning of year		1,913,850	1,614,940
<b>Cash and cash equivalents end of year</b>		<b>2,197,920</b>	<b>1,913,850</b>
Cash and cash equivalents at year-end are composed of:			
Cash		2,208,712	1,961,812
Securities		272	276
Short-term debt to banks		(11,063)	(48,238)
<b>Cash and cash equivalents end of year</b>		<b>2,197,921</b>	<b>1,913,850</b>

# Notes

## 1 Staff costs

	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>
Wages and salaries	2,507,128	2,485,314
Pension costs	271,507	206,101
Other social security costs	67,512	60,641
	<b>2,846,147</b>	<b>2,752,056</b>
Average number of full-time employees	<b>36</b>	<b>34</b>

## 2 Depreciation, amortisation and impairment losses

	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>
Amortisation of intangible assets	70,613	36,680
Depreciation of property, plant and equipment	86,841	90,078
	<b>157,454</b>	<b>126,758</b>

## 3 Tax on profit/loss for the year

	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>
Current tax	123,006	230,690
Change in deferred tax	29,422	(2,771)
Adjustment concerning previous years	278	25
	<b>152,706</b>	<b>227,944</b>

## 4 Intangible assets

	<b>Completed development projects EUR</b>
Cost beginning of year	194,758
Additions	227,100
Disposals	(25,857)
<b>Cost end of year</b>	<b>396,001</b>
Amortisation and impairment losses beginning of year	(77,781)
Amortisation for the year	(70,613)
Reversal regarding disposals	25,857
<b>Amortisation and impairment losses end of year</b>	<b>(122,537)</b>
<b>Carrying amount end of year</b>	<b>273,464</b>

## 5 Development projects

Development projects consist of development of new and existing products. The majority of the capitalized costs consist of a share of the salaries of staff involved in the development of the products and the remainder constitute materials. The increase in 2019 consists of costs for new development of servo motors, steppe motors and parts thereof and associated software.

## 6 Property, plant and equipment

	Land and buildings EUR	Other fixtures and fittings, tools and equipment EUR
Cost beginning of year	2,823,938	132,119
<b>Cost end of year</b>	<b>2,823,938</b>	<b>132,119</b>
Depreciation and impairment losses beginning of year	(470,534)	(123,142)
Depreciation for the year	(80,109)	(6,732)
<b>Depreciation and impairment losses end of year</b>	<b>(550,643)</b>	<b>(129,874)</b>
<b>Carrying amount end of year</b>	<b>2,273,295</b>	<b>2,245</b>

## 7 Financial assets

	Investments in group enterprises EUR
Cost beginning of year	32,390
Additions	43,797
<b>Cost end of year</b>	<b>76,187</b>
Revaluations beginning of year	1,220,264
Share of profit/loss for the year	371,013
Dividend	(250,000)
Investments with negative equity value depreciated over receivables	(43,797)
Fair value adjustments	59,247
<b>Revaluations end of year</b>	<b>1,356,727</b>
<b>Carrying amount end of year</b>	<b>1,432,914</b>

Investments in subsidiaries	Registered in	Corporate form	Equity interest %	Equity EUR	Profit/loss EUR
JVL International ApS	Rudersdal	ApS	100	410,219	294,771
JVL UK Limited	UK	Ltd.	100	992,473	46,694
JVL Turkey	TR	N/A	100	30,222	29,548

## 8 Share capital

	Number	Par value EUR	Nominal value EUR
A-Shares	2,500	100	33,648
B Shares	2,500	100	33,647
	<b>5,000</b>		<b>67,295</b>

## 9 Non-current liabilities other than provisions

	Due within 12 months 2019 EUR	Due within 12 months 2018 EUR	Due after more than 12 months 2019 EUR
Mortgage debt	64,736	64,597	923,017
	<b>64,736</b>	<b>64,597</b>	<b>923,017</b>

## 10 Changes in working capital

	2019 EUR	2018 EUR
Increase/decrease in inventories	208,649	(760,513)
Increase/decrease in receivables	(205,521)	(34,675)
Increase/decrease in trade payables etc	(58,787)	239,311
	<b>(55,659)</b>	<b>(555,877)</b>

## 11 Contingent liabilities

Guarantee commitments relating to the Company's products are taken to the income statement. No Guarantee commitments have been provided for in the balance sheet as guarantee costs notoriously are moderate.

The Entity serves as an 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 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

## 12 Assets charged and collateral

The building recognised at a book value of Eur 2.353 thousand is charged with mortgage debt. In addition, a mortgage deed registered to the mortgagor has been entered in the Land Register on the building of EUR 81 thousand and provided as security for bank commitments, and a mortgage deed of EUR 1,321 thousand and provided as security for mortgage debt.



# 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.

## Consolidated financial statements

Referring to section 110(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

## 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.

## Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

## Income statement

### Gross profit or loss

Gross profit or loss comprises revenue, production costs and other operating income.

### Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue 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.

**Production costs**

Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

Also, provisions for loss on contract work in progress are recognised under production costs.

**Distribution costs**

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment involved in the distribution process.

**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.

**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.

**Other financial income**

Other financial income comprises dividends etc received on other investments, 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

### Intellectual property rights etc

Development costs, own development costs and goodwill acquired are measured at cost less accumulated amortisation and impairment losses.

Straight-line amortisation is made on the basis of the following estimated useful lives of the assets:

Completed development projects: 4 years

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

### Property, plant and equipment

Buildings, plant and machinery as well as 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.

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 30 years

Other fixtures and fittings, tools and equipment 3-5 years

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 or minus unamortised positive, or negative, good-will and plus or minus unrealised intragroup 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 is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

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 under equity.

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

### Inventories

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

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

**Receivables**

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

**Income tax payable or receivable**

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

**Joint taxation contributions receivable or payable**

Current joint taxation contributions payable or joint taxation contributions receivable are recognised in the balance sheet, calculated as tax computed on the taxable income for the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

**Prepayments**

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

**Other investments**

Securities recognised under current assets comprise listed bonds and investments measured at fair value (market price) at the balance sheet date.

**Cash**

Cash comprises cash in hand and bank deposits.

**Dividend**

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity.

**Deferred tax**

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

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.

**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.

**Other financial liabilities**

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

**Prepayments received from customers**

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

**Cash flow statement**

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

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

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

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

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