
KK Wind Solutions Vojens A/S

Søndergård Alle 14, Hammelev, DK-6500 Vojens

Annual Report for 1 July 2020 - 31 December 2021

CVR No 19 86 32 71

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
20/4 2022

Allan Gabriel Zandberg
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 KK Wind Solutions Vojens A/S for the financial year 1 July 2020 - 31 December 2021.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2021 of the Company and of the results of the Company operations for 2020/21.

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

Vojens, 20 April 2022

Executive Board

Mauricio Fernando Quintana
CEO

Board of Directors

Søren Bæk Just
Chairman

Kim Wichmann-Hansen

René Balle

Mauricio Fernando Quintana

Independent Auditor's Report

To the Shareholder of KK Wind Solutions Vojens 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 2021 and of the results of the Company's operations for the financial year 1 July 2020 - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of KK Wind Solutions Vojens A/S for the financial year 1 July 2020 - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 misstate-

Independent Auditor's Report

ment, 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.

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

Independent Auditor's Report

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.

Aarhus, 20 April 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Claus Lyngsø Sørensen
State Authorised Public Accountant
mne34539

Thomas Bernth Jensen
State Authorised Public Accountant
mne47814

Company Information

The Company

KK Wind Solutions Vojens A/S
Søndergård Alle 14
Hammelev
DK-6500 Vojens

CVR No: 19 86 32 71

Financial period: 1 July 2020 - 31 December 2021

Municipality of reg. office: Haderslev

Board of Directors

Søren Bæk Just, Chairman
Kim Wichmann-Hansen
René Balle
Mauricio Fernando Quintana

Executive Board

Mauricio Fernando Quintana

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Nobelparken
Jens Chr. Skous Vej 1
DK-8000 Aarhus C

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2020/21	2019/20	2018/19	2017/18	2016/17
	kDKK	kDKK	kDKK	kDKK	kDKK
Key figures					
Profit/loss					
Gross profit/loss	91.138	58.605	53.942	43.452	38.278
Operating profit/loss	56.880	39.013	35.173	26.887	23.998
Profit/loss before financial income and expenses	56.880	39.013	35.173	26.887	23.998
Net financials	-842	-33	-1.287	-5.665	-227
Net profit/loss for the year	43.714	30.498	26.186	15.359	18.528
Balance sheet					
Balance sheet total	118.961	79.560	73.350	56.558	55.591
Equity	92.404	48.624	51.058	38.851	40.439
Investment in property, plant and equipment	155	10.138	0	15	148
Number of employees	33	31	27	24	21
Ratios					
Return on assets	47,8%	49,0%	48,0%	47,5%	43,2%
Solvency ratio	77,7%	61,1%	69,6%	68,7%	72,7%
Return on equity	62,0%	61,2%	58,3%	38,7%	46,2%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

The financial year has changed in 2020/21 so that the balance sheet date is 31 December. The financial year 2020/21 is therefore an extended period of 18 months. The reason for the change is due to alignment with the new ultimate parent company.

Management's Review

Key activities

KK Wind Solutions Vojens A/S is engaged in developing and manufacturing of condition monitoring systems and digital solutions to the Wind Industry.

Development in the year

The income statement of the Company for 2020/21 shows a profit of kDKK 43,714, and at 31 December 2021 the balance sheet of the Company shows equity of kDKK 92,404.

Operating risks

The company's primary activities are within the Wind Industry which are characterized by a few large Original Equipment Manufacturers of wind turbines.

Besides the above, the company has no specific risks besides what is common to the industry.

Interest rate risks

The Company is exposed to a limited interest rate risk, as the Company's mortgage loan has variable rates of interest.

The risk is monitored and hedging is applied.

Targets and expectations for the year ahead

Due to the present geopolitical situation and component challenges the outlook remains positive but with more uncertainty and lower growth rates in the coming 18- 24 months with earnings under pressure. As a result, the Company forecasts turnover in 2022 at or around the same level as 2021 while earnings performance will be challenged with an expected profit after tax below the level of 2021.

Research and development

Research and Development (R&D) activities are carried out within the company and in some cases in corporation with our customers. R&D activities include improvements and changes to existing products as well as the development of new products.

External environment

The Company's activities are conducted with consideration for the environment. The Company's activities only have a limited effect on the external environment.

Management's Review

Intellectual capital resources

KK Wind Solutions Vojens A/S works in the development, production and maintenance of measuring equipment for wind turbines. This places high demand for knowledge resources and innovation within key domains. The company's scope of work requires attracting, sustaining and developing employees that have leading edge knowledge within wind turbines and measuring equipment. The company has defined key competency areas within turbine condition monitoring, sensorics and Data & Analytics that are the lighthouses for training and development of our employees. It is also endeavored that employees are continuously trained via continued education and cooperation with universities, so that the latest knowledge is constantly present in the organization.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position at 31 December 2021 of the Company and the results of the activities of the Company for the financial year for 2020/21 have not been affected by any unusual events.

Income Statement 1 July 2020 - 31 December 2021

	Note	2020/21 kDKK	2019/20 kDKK
Gross profit/loss		91.138	58.605
Staff expenses	1	-33.789	-19.286
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-469	-306
Profit/loss before financial income and expenses		56.880	39.013
Financial income		0	483
Financial expenses		-842	-516
Profit/loss before tax		56.038	38.980
Tax on profit/loss for the year	2	-12.324	-8.482
Net profit/loss for the year		43.714	30.498

Balance Sheet 31 December

Assets

	Note	2020/21 kDKK	2019/20 kDKK
Land and buildings		9.378	9.772
Other fixtures and fittings, tools and equipment		139	61
Property, plant and equipment	3	9.517	9.833
Investments in subsidiaries	4	186	186
Fixed asset investments		186	186
Fixed assets		9.703	10.019
Raw materials and consumables		5.015	3.625
Finished goods and goods for resale		5.382	7.074
Prepayments for goods		0	129
Inventories		10.397	10.828
Trade receivables		30.387	22.069
Receivables from group enterprises		1.917	2.027
Other receivables		556	0
Deferred tax asset	5	11	11
Prepayments	6	236	109
Receivables		33.107	24.216
Cash at bank and in hand		65.754	34.497
Currents assets		109.258	69.541
Assets		118.961	79.560

Balance Sheet 31 December

Liabilities and equity

	Note	2020/21 kDKK	2019/20 kDKK
Share capital		500	500
Reserve for hedging transactions		-163	-229
Retained earnings		52.067	48.353
Proposed dividend for the year		40.000	0
Equity		92.404	48.624
Mortgage loans		2.527	3.078
Long-term debt	8	2.527	3.078
Mortgage loans	8	368	365
Credit institutions		12	3
Trade payables		4.893	1.537
Payables to group enterprises		381	192
Payables to associates		0	8.086
Corporation tax		12.265	7.105
Other payables	9	3.040	6.546
Deferred income	10	3.071	4.024
Short-term debt		24.030	27.858
Debt		26.557	30.936
Liabilities and equity		118.961	79.560
Distribution of profit	7		
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Statement of Changes in Equity

	Share capital	Reserve for hedging transactions	Retained earnings	Proposed dividend for the year	Total
	kDKK	kDKK	kDKK	kDKK	kDKK
Equity at 1 July	500	-228	48.353	0	48.625
Fair value adjustment of hedging instruments, end of year	0	83	0	0	83
Tax on adjustment of hedging instruments for the year	0	-18	0	0	-18
Net profit/loss for the year	0	0	3.714	40.000	43.714
Equity at 31 December	500	-163	52.067	40.000	92.404

Notes to the Financial Statements

	2020/21 kDKK	2019/20 kDKK
1 Staff expenses		
Wages and salaries	32.119	19.062
Pensions	1.419	41
Other social security expenses	251	183
	33.789	19.286
Average number of employees	33	31

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

2 Tax on profit/loss for the year

Current tax for the year	12.342	8.508
Deferred tax for the year	0	-45
	12.342	8.463
which breaks down as follows:		
Tax on profit/loss for the year	12.324	8.482
Tax on changes in equity	18	-19
	12.342	8.463

Notes to the Financial Statements

3 Property, plant and equipment

	Land and buildings kDKK	Other fixtures and fittings, tools and equipment kDKK
Cost at 1 July	12.337	2.652
Additions for the year	0	154
Disposals for the year	0	-142
Cost at 31 December	12.337	2.664
Impairment losses and depreciation at 1 July	2.565	2.592
Depreciation for the year	394	75
Reversal of impairment and depreciation of sold assets	0	-142
Impairment losses and depreciation at 31 December	2.959	2.525
Carrying amount at 31 December	9.378	139

Notes to the Financial Statements

	2020/21 kDKK	2019/20 kDKK
4 Investments in subsidiaries		
Cost at 1 July	5.793	5.793
Cost at 31 December	5.793	5.793
Value adjustments at 1 July	-5.607	-5.607
Value adjustments at 31 December	-5.607	-5.607
Carrying amount at 31 December	186	186

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
Gram & Juhl North America Inc. 1)	Englewood, USA	100%		
Gram & Juhl GmbH	Oldenburg, Germany	100%	1.187	-292

1) Equity and result for the year has not been stated since the company is not obliged to publish an Annual Report.

5 Deferred tax asset

Deferred tax asset at 1 July	11	0
Amounts recognised in the income statement for the year	0	45
Amounts recognised in equity for the year	0	-34
Deferred tax asset at 31 December	11	11

The recognised tax asset comprises of differences in the value of the Company's assets for accounting purposes and tax base, and is expected to be utilised in the near future.

6 Prepayments

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

Notes to the Financial Statements

	2020/21 kDKK	2019/20 kDKK
7 Distribution of profit		
Proposed dividend for the year	40.000	0
Retained earnings	3.714	30.498
	43.714	30.498

8 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:

Mortgage loans

After 5 years	1.109	1.663
Between 1 and 5 years	1.418	1.415
Long-term part	2.527	3.078
Within 1 year	368	365
	2.895	3.443

9 Derivative financial instruments

Derivative financial instruments contracts in the form of interest rate swaps have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

Other payables	210	302
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Interest rate swap contract has been concluded to hedge future interest payments on floating rate loans. The contract has a term of 5 years. The interest rate swap contract ensures a fixed interest rate on payables to mortgage credit institutions.

10 Deferred income

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

Notes to the Financial Statements

	2020/21	2019/20
	kDKK	kDKK
11 Contingent assets, liabilities and other financial obligations		
Charges and security		
The following assets have been placed as security with mortgage credit institutes:		
Land and buildings with a carrying amount totalling:	9.378	9.772

Contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of A.P.MØLLER HOLDING A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on un-earned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

12 Subsequent events

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

Notes to the Financial Statements

13 Related parties

	<u>Basis</u>
Controlling interest	
A.P. MØLLER OG HUSTRU CHASTINE	Ultimate Parent Company
MCKINNEYMØLLERSFOND TIL ALMENE FORMAAL, Esplanaden 50, 1263 København K, Denmark	
KK-Group A/S, Bøgildvej 3, 7430 Ikast, Denmark	Parent Company

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Consolidated Financial Statements

Name and registered office of the Parent preparing consolidated financial statements for the largest and smallest group:

<u>Name</u>	<u>Place of registered office</u>
A.P. MØLLER HOLDING A/S, København K, Business Registration no. 25 67 92 88	Copenhagen, Denmark
KK Wind Solutions Holding A/S, Business Registration no. 39 06 70 48	Ikast, Denmark

Notes to the Financial Statements

14 Accounting Policies

The Annual Report of KK Wind Solutions Vojens A/S for 2020/21 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2020/21 are presented in DKK.

The Company has changed its balance date from 30 June to 31 December to align with the ultimate parent's balance date. Hence, this is an extended financial year of 18 months.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of KK Wind Solutions Holding A/S, Business Registration no. 39 06 70 48, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of KK Wind Solutions Holding A/S, Business Registration no. 39 06 70 48, the Company has not prepared a cash flow statement.

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.

Notes to the Financial Statements

14 Accounting Policies (continued)

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.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Notes to the Financial Statements

14 Accounting Policies (continued)

Income Statement

Revenue

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

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 expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, change in inventories of finished goods, work in progress and goods for resale, expenses for raw materials and consumables and other external expenses.

Staff expenses

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

Amortisation, depreciation and impairment losses

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

Financial income and expenses

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

Notes to the Financial Statements

14 Accounting Policies (continued)

Tax on profit/loss for the year

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

The Company is jointly taxed with the ultimate parent A.P. MØLLER HOLDING A/S. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance Sheet

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:

Production buildings	50	years
Other fixtures and fittings, tools and equipment	3-10	years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Investments in subsidiaries

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

Notes to the Financial Statements

14 Accounting Policies (continued)

Inventories

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

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

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

Receivables

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

Prepayments

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

Equity

Dividend

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

Deferred tax assets and liabilities

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

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

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

Notes to the Financial Statements

14 Accounting Policies (continued)

Current tax receivables and liabilities

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

Financial debts

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

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

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

Deferred income

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

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$