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CVR no. 20 22 26 70

**GAS TURBINE SERVICES A/S**  
**MURERVEJ 4-6, 6710 ESBJERG V**  
**ANNUAL REPORT**  
**1 JANUARY - 31 DECEMBER 2019**

**The Annual Report has been presented and  
adopted at the Company's Annual General  
Meeting on 2 June 2020**

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**Roy Kjellerup**

*The English part of this document is an unofficial translation of the original Danish text, and in case of any discrepancy between the Danish text and the English translation, the Danish text shall prevail.*

**CVR NO. 20 58 91 83**

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**COMPANY DETAILS**

<b>Company</b>	Gas Turbine Services A/S Murervej 4-6 6710 Esbjerg V  CVR No.: 20 58 91 83 Established: 1 September 1997 Registered Office: Esbjerg Financial Year: 1 January - 31 December
<b>Board of Directors</b>	Klaus Kisum Kjær, chairman Chris Kjellerup-Krönlein Robert John Dye Roy Kjellerup Lawrence Jamieson Howie
<b>Board of Executives</b>	Roy Kjellerup
<b>Auditor</b>	BDO Statsautoriseret revisionsaktieselskab Bavnehøjvej 6 6700 Esbjerg
<b>Bank</b>	Nykredit Bank Borgergade 38 6700 Esbjerg
<b>Law Firm</b>	DAHL Law Att.: Klaus Kisum Kjær Dokken 10 6700 Esbjerg

## STATEMENT BY BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

Today the Board of Directors and Board of Executives have discussed and approved the Annual Report of Gas Turbine Services A/S for the financial year 1 January - 31 December 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 Company's financial position at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

The Management's Review includes in our opinion a fair presentation of the matters dealt with in the Review.

We recommend the Annual Report be approved at the Annual General Meeting.

Esbjerg, 2 June 2020

Board of Executives

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Roy Kjellerup

Board of Directors

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Klaus Kisum Kjær  
Chairman

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Chris Kjellerup-Krönlein

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Robert John Dye

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Roy Kjellerup

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Lawrence Jamieson Howie

## INDEPENDENT AUDITOR'S REPORT

### To the Shareholder of Gas Turbine Services A/S

#### Opinion

We have audited the Financial Statements of Gas Turbine Services A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, notes and 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 assets, liabilities and financial position of the Company at *31 December 2019* and of the results of the Company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

#### Basis for Opinion

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

## INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

### 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, we conclude that 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 of Management's Review.

Esbjerg, 2 June 2020

BDO Statsautoriseret revisionsaktieselskab  
CVR no. 20 22 26 70

Flemming Bro Lund  
State Authorised Public Accountant  
MNE no. mne31433

## MANAGEMENT'S REVIEW

### Principal activities

The company's activities provides focused maintenance support products and services for gas turbines and their associated auxiliary equipment for offshore and onshore installations, in both the CHP and Oil & Gas Industry.

### Recognition and measurement

The company's and the Group's business strategy is to be able to offer fast and flexible deliveries, which is why the company has built up a strategic inventory that is of considerable value.

Write-downs have been made in relation to the company's historical purchase prices based on management's estimates. The write-down methods used are unchanged from previous years.

### Development in activities and financial position

Profit for the year is 5,248 T.DKK. against 8,138 T.DKK. last year.

Net profit is considered to be satisfactory and in-line with the company's market share.

No changes were made to the company's areas of activity during the financial year.

### Significant events after the end of the financial year

No events have occurred after the end of the financial year of material importance for the company's financial position.

For 2020, due to Covid-19 and the resulting challenges, the management anticipates a reduced profit compared to 2019.

### Special risks

Purchases and Sales are limited to a few foreign currencies. Currency risk is minimised, where possible, by specific purchases and onward sales being transacted in the same currency.

### Intellectual capital resources

The core business involves providing high-quality specialised services. This element places additional demands on the intellectual capital resources concerning development and provision of the services.

### Staff

In order to continuously provide high-quality services it is important that the Company is able to recruit and retain staff with specific technical knowledge. The Company's objective is for the entities to always have the highest level of technical knowledge, with a view to ensuring a high capacity for flexibility.

### QHSE Performance

The Company aim is to exceed our customer's expectations by continually improving on performance and quality, while ensuring our operations are executed at all times in compliance with our internal QHSE procedures and relevant legal and regulatory requirements.

**INCOME STATEMENT 1 JANUARY - 31 DECEMBER**

	Note	2019 DKK	2018 DKK '000
<b>GROSS PROFIT</b> .....		<b>18.182.095</b>	<b>21.383</b>
Staff costs.....	1	-9.944.204	-8.570
Depreciation, amortisation and impairment losses.....		-518.224	-374
<b>OPERATING PROFIT</b> .....		<b>7.719.667</b>	<b>12.439</b>
Result of equity investments in group and associates.....		-12.709	-4
Other financial income.....	2	722.773	771
Other financial expenses.....	3	-1.700.163	-2.752
<b>PROFIT BEFORE TAX</b> .....		<b>6.729.568</b>	<b>10.454</b>
Tax on profit/loss for the year.....	4	-1.481.095	-2.316
<b>PROFIT FOR THE YEAR</b> .....		<b>5.248.473</b>	<b>8.138</b>
 <b>PROPOSED DISTRIBUTION OF DIVIDEND</b>			
Allocation to reserve for net revaluation according to equity va. Retained earnings.....		-12.709 5.261.182	-4 8.142
<b>TOTAL</b> .....		<b>5.248.473</b>	<b>8.138</b>



## BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2019 DKK	2018 DKK '000
Other plant, fixtures and equipment.....		1.001.971	1.452
<b>Tangible fixed assets.....</b>	<b>5</b>	<b>1.001.971</b>	<b>1.452</b>
Equity investments in group enterprises.....		454.808	461
Equity investments in associated enterprises.....		4.383	0
Other investments.....		2.111.459	0
<b>Fixed asset investments.....</b>	<b>6</b>	<b>2.570.650</b>	<b>461</b>
<b>FIXED ASSETS.....</b>		<b>3.572.621</b>	<b>1.913</b>
Work in progress.....		20.039.000	19.240
Finished goods and goods for resale.....		97.052.140	84.852
Prepayments.....		0	196
<b>Inventories.....</b>		<b>117.091.140</b>	<b>104.288</b>
Trade receivables.....		5.025.832	15.395
Contract work in progress.....		2.998.095	4.661
Receivables from group enterprises.....		8.617.355	1.305
Deferred tax assets.....		516.983	263
Other receivables.....		278.442	21
Corporation tax receivable.....		54.945	0
Prepayments and accrued income.....		168.990	813
<b>Receivables.....</b>		<b>17.660.642</b>	<b>22.458</b>
<b>Cash and cash equivalents.....</b>		<b>5.905</b>	<b>439</b>
<b>CURRENT ASSETS.....</b>		<b>134.757.687</b>	<b>127.185</b>
<b>ASSETS.....</b>		<b>138.330.308</b>	<b>129.098</b>

**BALANCE SHEET AT 31 DECEMBER**

<b>EQUITY AND LIABILITIES</b>	<b>Note</b>	<b>2019</b> DKK	<b>2018</b> DKK '000
Share capital.....		4.300.000	4.300
Reserve for net revaluation according to equity value.....		351.368	358
Retained earnings.....		75.724.755	70.463
<b>EQUITY.....</b>	<b>7</b>	<b>80.376.123</b>	<b>75.121</b>
Other liabilities.....		283.489	0
<b>Long-term liabilities.....</b>	<b>8</b>	<b>283.489</b>	<b>0</b>
Bank debt.....		42.442.630	10.714
Prepayments received concerning work in progress.....		1.988.095	924
Prepayments received from customers.....		1.047.968	282
Trade payables.....		5.472.588	4.305
Payables to group enterprises.....		1.493.976	31.151
Corporation tax.....		1.735.036	1.822
Payables to owners and management.....		5.383	0
Other liabilities.....		1.788.989	2.874
Accruals and deferred income.....		1.696.031	1.905
<b>Current liabilities.....</b>		<b>57.670.696</b>	<b>53.977</b>
<b>LIABILITIES.....</b>		<b>57.954.185</b>	<b>53.977</b>
<b>EQUITY AND LIABILITIES.....</b>		<b>138.330.308</b>	<b>129.098</b>
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## NOTES

	2019 DKK	2018 DKK '000	Note
<b>Staff costs</b>			<b>1</b>
Average number of employees 17 (2018: 15)			
Wages and salaries.....	8.797.247	7.541	
Pensions.....	759.672	711	
Social security costs.....	152.479	121	
Other staff costs.....	234.806	197	
	<b>9.944.204</b>	<b>8.570</b>	
<b>Other financial income</b>			<b>2</b>
Group enterprises.....	398.147	771	
Other interest income.....	324.626	0	
	<b>722.773</b>	<b>771</b>	
<b>Other financial expenses</b>			<b>3</b>
Group enterprises.....	721.389	1.796	
Other interest expenses.....	978.774	956	
	<b>1.700.163</b>	<b>2.752</b>	
<b>Tax on profit/loss for the year</b>			<b>4</b>
Calculated tax on taxable income of the year.....	1.735.036	1.773	
Adjustment of deferred tax.....	-253.941	543	
	<b>1.481.095</b>	<b>2.316</b>	
<b>Tangible fixed assets</b>			<b>5</b>
		Other plant, fixtures and equipment	
Cost at 1 January 2019.....		7.282.064	
Additions.....		67.014	
<b>Cost at 31 December 2019.....</b>		<b>7.349.078</b>	
Depreciation and impairment losses at 1 January 2019.....		5.828.883	
Depreciation for the year.....		518.224	
<b>Depreciation and impairment losses at 31 December 2019.....</b>		<b>6.347.107</b>	
<b>Carrying amount at 31 December 2019.....</b>		<b>1.001.971</b>	

## NOTES

**Fixed asset investments** **Note 6**

	Equity investments in group enterprises	Equity investments in associated enterprises	Other investments
Cost at 1 January 2019.....	103.440	0	0
Additions.....	0	4.383	2.111.459
<b>Cost at 31 December 2019.....</b>	<b>103.440</b>	<b>4.383</b>	<b>2.111.459</b>
Revaluation at 1 January 2019.....	357.915	0	0
Exchange adjustment.....	6.162	0	0
Revaluation and impairment losses for the year:	-12.709	0	0
<b>Revaluation at 31 December 2019.....</b>	<b>351.368</b>	<b>0</b>	<b>0</b>
<b>Carrying amount at 31 December 2019.....</b>	<b>454.808</b>	<b>4.383</b>	<b>2.111.459</b>

**Equity** **7**

	Share capital	Reserve for net revaluation according to equity value	Retained earnings	Total
Equity at 1 January 2019.....	4.300.000	357.915	70.463.573	75.121.488
Foreign exchange adjustments.....		6.162		6.162
Proposed distribution of profit.....		-12.709	5.261.182	5.248.473
<b>Equity at 31 December 2019.....</b>	<b>4.300.000</b>	<b>351.368</b>	<b>75.724.755</b>	<b>80.376.123</b>

**Long-term liabilities** **8**

	31/12 2019 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2018 total liabilities	Current portion at the beginning of the year
Other liabilities.....	283.489	0	0	0	0
	<b>283.489</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**NOTES****Note****Contingencies etc.****9****Contingent liabilities**

The Company's bank have issued payment guarantee to third party for a total amount of 225,400 GBP.

The company has provided unlimited security for associated companies debts to banks. The associated companies bank loans are total 4.178 T.DKK.

The company has entered into lease obligations and finance leases. The total contingent liabilities relating to these are 1.623 T.DKK.

**Joint liabilities**

The company is jointly and severally liable together with the parent company and the other group companies in the joint taxable group for tax on the group's joint taxable income and for certain possible withholding taxes, such as dividend tax, etc.

Tax payable on the Group's joint taxable income is stated in the annual report of HKJ Group A/S, which serves as management company for the joint taxation.

**Charges and securities****10**

As collateral for bank debt of 42.443 T.DKK., the company has pledged a nominal value of 50.000 T.DKK. The company mortgage comprises the following assets, whose carrying amount at the balance sheet date is:

Other plant, fixtures and equipment.....	1.001.971
Inventories.....	117.091.140
Trade receivables.....	5.025.832
Contract work in progress.....	2.998.095

**Information on recognition and measurement****11**

The company's and the Group's business strategy is to be able to offer fast and flexible deliveries, which is why the company has built up a strategic inventory that is of considerable value.

Write-downs have been made in relation to the company's historical purchase prices based on management's estimates. The write-down methods used are unchanged from previous years.

**Consolidated financial statements****12**

The company is included in the consolidated financial statements of HKJ Group A/S as the parent company, Murervej 4-6, 6710 Esbjerg V., CVR no. 27 96 75 74.

## ACCOUNTING POLICIES

The Annual Report of Gas Turbine Services A/S for 2019 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class B and certain provisions applying to reporting class C.

The Annual Report is prepared consistently with the accounting principles applied last year.

## INCOME STATEMENT

### Net revenue

Net revenue from sale of merchandise and finished goods is recognised in the income statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

Where products with a high degree of individual adjustments are delivered, recognition in net revenue is made as and when the production progresses, the net revenue being equal to the sales value of the work performed for the year (the production method). This method is applied when the total costs and expenses regarding the contract and the degree of completion at the balance sheet date can be reliably assessed, and it is likely that the financial benefits will flow to the company.

Revenue is summarized with costs in accordance with section 32 of the Danishe Statements Act.

### Cost of sales

Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

### Other external expenses

Other external expenses include cost of sales, advertising, administration, buildings, bad debts, lease expenses, etc.

### Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the company's employees. Repayments from public authorities are deducted from staff costs.

### Investments in subsidiaries and associates

The income statement of the parent company recognises the proportional share of the results of each subsidiary after full elimination of intercompany profits/losses and deduction of amortisation of goodwill.

The income statement of the ower company recognises the proportional share of the results of each associate after proportional elimination of intercompany profits/losses and deduction of amortisation of goodwill.

### Financial income and expenses

Financial income and expenses include interest income and expenses, financial expenses of finance leases, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

### Tax

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

**ACCOUNTING POLICIES**

**BALANCE SHEET**

**Tangible fixed assets**

Other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used. As regards self-manufactured assets, the cost price includes cost of materials, components, subcontractors, direct payroll and indirect production costs.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life
Other plant, fixtures and equipment.....	3-5 years
Leasehold improvements.....	3-5 years

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

**Fixed asset investments**

Investments in subsidiaries and associates are measured in the company's balance sheet under the equity method.

Investments in subsidiaries and associates are measured in the balance sheet at the proportional share of the enterprises' carrying equity value, calculated in accordance with the parent company's accounting policies with deduction or addition of unrealised intercompany profits or losses and with addition or deduction of the residual value of positive or negative goodwill

Net revaluation of investments in subsidiaries and associates is transferred under the equity to reserve for net revaluation under the equity value method to the extent that the carrying amount exceeds the acquisition value.

Fixed asset investments also include public quoted shares that are not expected to be disposed of. These shares are measured at amortised cost on the balance sheet date.

**Impairment of fixed assets**

The carrying amount of tangible assets together with fixed assets, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the recoverable amount is lower than the carrying amount, the asset is written down to the carrying amount.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

## ACCOUNTING POLICIES

### Inventories

Inventories are measured at cost using the FIFO-principle. If the net realisable value is lower than cost, the inventories are written down to the lower value.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The cost of finished goods and work in progress includes cost of raw materials, consumables, direct payroll cost and indirect production cost. Indirect production costs include indirect materials and payroll and maintenance and depreciation of the machines, factory buildings and equipment used in the production process, cost of factory administration and management and capitalised development costs relating to the products.

The net realisable value of inventories is stated at sales price less completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price.

### Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value.

### Contract work in progress

Contract work in progress includes service contracts. Work in progress on contract is measured at the sales value of the work performed. The sales value is measured on the basis of the degree of completion on the balance sheet date and the total anticipated revenue related to the specific piece of work in progress.

Anticipated costs to fulfill the service contracts is recognised in the income statement lineary for the period of the service contract.

The specific piece of work in progress is recognised in the Balance Sheet as receivables or payables, depending on the net value of the selling price less progress invoicing and progress payments.

### Accruals, assets

Accruals recognised as assets include costs incurred relating to the subsequent financial year.

### Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

The company is subject to joint taxation with Danish group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the tax-on-account scheme. Joint taxation contributions receivable and payable are recognised in the balance sheet under current assets and liabilities, respectively.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against 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 under the legislation in force on the balance sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.



## ACCOUNTING POLICIES

### *Liabilities*

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the Income Statement over the term of loan.

Amortised cost for short-term liabilities usually corresponds to the nominal value.

### **Accruals, liabilities**

Accruals recognised as liabilities include payments received regarding income in subsequent years.