
SKAGA INVEST ApS

Skelstedet 2A, DK-2950 Vedbæk

Annual Report for 2023

CVR No. 27 98 95 86

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 30/5 2024

Søren Dam
Chairman of the
general meeting



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Management's statement

The Executive Board has today considered and adopted the Annual Report of SKAGA INVEST ApS for the financial year 1 January - 31 December 2023.

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

In my opinion the Financial Statements give a true and fair view of the financial position at 31 December 2023 of the Company and of the results of the Company operations for 2023.

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

Rudersdal, 30 May 2024

Executive Board

Søren Dam
CEO

Independent Auditor's report

To the shareholder of SKAGA INVEST ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of SKAGA INVEST ApS for the financial year 1 January - 31 December 2023, 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 misstatement, whether due to fraud or error.

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

Independent Auditor's report

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

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

Esbjerg, 30 May 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Henning Tønder Olesen

State Authorised Public Accountant

mne27864

Company information

The Company

SKAGA INVEST ApS
Skelstedet 2A
DK-2950 Vedbæk

CVR No: 27 98 95 86

Financial period: 1 January - 31 December

Municipality of reg. office: Rudersdal

Executive Board

Søren Dam

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Esbjerg Brygge 28, 2.
DK-6700 Esbjerg

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2023	2022	2021	2020	2019
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	1,436,576	1,145,721	1,016,222		
Gross profit	16,986	9,954	13,523	10,675	7,904
Profit/loss of primary operations	14,454	8,020	11,790	9,511	7,217
Profit/loss of financial income and expenses	-4,146	-2,348	-2,217	-1,246	-497
Earnings before interest and taxes	14,453	8,021	11,790	9,511	7,217
Profit/loss before tax	10,307	5,673	9,573	8,265	6,720
Net profit/loss for the year	7,542	4,523	7,278	6,310	5,188
Balance sheet					
Balance sheet total	354,582	270,560	277,475	219,322	103,697
Investment in property, plant and equipment	18,426	5,621	0	0	0
Equity	40,623	34,181	29,658	22,380	20,070
Number of employees	3	3	2	2	2
Ratios					
Gross margin	1.2%	0.9%	1.3%		
Return on assets	4.1%	3.0%	4.2%	4.3%	7.0%
Solvency ratio	11.5%	12.6%	10.7%	10.2%	19.4%
Return on equity	20.2%	14.2%	28.0%	29.7%	51.7%

Management's review

Key activities

The Company's principal activity is trading in seafood. Both raw materials and value added products.

Unusual circumstances

The Group's financial position at 31 December 2023 and the results of the Group's operations and its cash flows for 2023 are not affected by any unusual circumstances.

Development in the year

The income statement for 2023 shows a profit before income tax of DKK 10,3 million, and at 31 December 2023, the consolidated balance sheet shows equity of DKK 40,6 million.

The past year and follow-up on development expectations from last year

In 2023, the Company realized a higher operating profit, than expected. The operating profit was 80% higher compared to 2022 due to increase in trading of raw material and increase in sales of value-added products to a more diversified customer base. The result is influenced by an increase in traded raw material volume of approx. 7,5%. Prices of whole salmon in the period have been stable in 2023 compared to 2022. The Company's earnings are calculated based on volume. The company's financing, through AL bank A/S and AL Finans A/S, have increased by respectively DKK 11,1 million and DKK 15 million resulting in DKK 100 million in total financing capability.

The group has concluded a purchase and lease back agreement of processing machinery. The group envision, that this activity could be expanded in the coming years.

Considering the above, Management considers profit for the year satisfactory in 2023.

Special risks - operating risks and financial risks

The financial and market risks of the company are considered equal in 2024 to 2023.

Foreign exchange risks

The Company's trading is carried out almost exclusively in EUR. Therefore, the Group's currency risk is minimal.

Interest rate risks

The Group's primary sources of financing are factoring and bank credit lines. As Management does not expect the average interest rate level in 2024 to increase compared to 2023, the Company's interest rate risk is expected to remain unchanged or slightly lower.

Credit risks

The credit risk is not considered to be greater in 2024 than in 2023.

Liquidity risks

According to best estimates, the cashflow risk is decreasing in relative terms, as more sales are expected to be conducted by means of factoring.

The Company has a credit line of DKK 85 million with the factoring company AL Finans A/S, and additional funds are expected to be granted, if needed. The bank credit increased in 2023 from DKK 5 million to DKK 15 million.

Management's review

Targets and expectations for the year ahead

Salmon prices for whole fish and finished goods are in 2024 expected to be 5-10% higher than in 2023.

Profit before income tax is expected to constitute approx. DKK 10,9 million for 2024.

Statement of corporate social responsibility, cf. section 99a of the Financial Statements Act

Business model

The Group's principal activity is buying whole, gutted fresh and frozen fish, which is sold in Europe and overseas. The Group has agreements with two factories in Polen which process the whole fish into value-added products. The Group only source fish, which can be traced back to the respective fish farms and/or fishing vessels.

A large proportion of the value-added products is repurchased by the company and sold to customers throughout Europe and Australia. These include both fresh and frozen goods. The Group finances the sale of finished goods by means of credit factoring, using underlying credit insurance (95% covered) as security. The Group is certified both in terms of traceability (Global GAP), sustainability (MSC and ASC) and organic products (EU 218/845). In addition, the Group is approved and supervised by the Danish Veterinary and Food Administration.

The Group is a trading company with offices in Denmark. More than 95 per cent of its goods are exported. All trading activity are conducted in accordance with current national rules and applicable rules of the EU and Australia. The Group has three employees and expect to increase its staff in the coming years.

Management's review

ESG policy

The group developed and implemented in 2023 its ESG policy, to achieve a sustainable approach internally and in business that supports its purpose. The intention is to make ESG an integral part of the strategy by defining, implementing, and refining a carefully constructed portfolio of ESG initiatives.

Environment and climate

The Group's policy ambition is to exercise influence towards its counterparts - suppliers and their transporters and the processors - in the value chain, in which the group operates.

As the Group itself is an "office only" company with currently 3 employees and is not engaged in any production activities, its CO2 emissions are considered insignificant. Consequently, the Group has identified no risks related to the environment and climate due to the Company's own activities.

It is therefore the groups intention to engage in dialogue with its counterparts to continuously seek new know-how and technologies to both improve its operating profit and ensure a more efficient use of resources throughout the value chain and internally for the benefit of the environment and climate.

The Group has not achieved any concrete results in this area in 2023. However, we have had discussions with 2 processors about reuse of secondary packaging to transport fish filets between the 2 processors.

The Group has identified areas such as supplier transport emissions and their use of secondary packaging as areas of interests for further investigations and developments in 2024.

Social and staff matters

To ensure the development of the Company, it is important to be able to attract, retain and develop the right employees. The Group strives to improve working conditions to offer an exciting, interesting, and safe workplace. This has been communicated to all employees, but not formalized in an actual policy due to the very limited number of employees of the Group. Thus, no risks have been identified which, in the Group's assessment, necessitate a formalized HR policy.

Human rights

The Group's policy is to only carry out business in areas where human rights are an integral part of the law and where control is exercised efficiently by relevant authorities.

Therefore, the Group has not identified specific risks necessitating an internal human rights policy.

The Group's risk in this area will be reassessed in the event of changes in the business model or new counterparts in the value chain, in which it operates.

No initiatives have been initiated in 2023 in this respect.

Considering the Company's business model, which to a significant extent relies on cooperation with suppliers who handle the processing of the Group's products, Management regularly assesses the need to communicate a human rights policy to or audit suppliers and business partners.

However, there has been no need to do this in 2023, hence no concrete results have been achieved in this area in 2023.

However, we plan to continue this approach in the future.

Management's review

Anti-corruption

The Group's policy is zero tolerance for corruption and fraud and has never been accused of corruption or matters related thereto.

In 2023, Management was not made aware of any corruption cases.

In 2023, the Group kept its employees updated on the risks they may face by means of internal meetings.

One risk already identified is, if employees are buying raw material at higher-than-normal market prices or selling value added seafood products at lower-than-normal market prices, where there could potential be a hidden kick back agreement between the Supplier/customer and the employee.

As the main buyer of the company is the owner and all purchase/sales are to be approved by the owner, the risk is seen as manageable.

One other risk already identified is, if an employee gets access to and can make unlawful currency transfers from the Groups bank account. As any payment from the Groups bank account needs a 2-step approval with the owner as final approver, the risk is seen as manageable.

The Group does not expect to experience cases of corruption or fraud in the coming years but will maintain the current information, system and readiness level.

The Group will continue to update its employees by means of internal meetings.

Statement on gender composition

The Group's supreme governing body consists of one person. Accordingly, equal distribution has been achieved in accordance with the guidelines and definitions of the Danish authorities. As the Group has fewer than 50 employees, it is below the materiality threshold for having to prepare and comply with a policy to increase the underrepresented gender at other management levels.

Regardless of the initiatives in the Group, the focus is on recruiting the best candidates for all positions, and the goal is that in connection with recruiting, that there are both male and female candidates.

2023

Top management

Total number of members	1
Underrepresented gender %	0%
Target figure %	40%
Year for meeting target	2030

Other management levels

Total number of members	2
Underrepresented gender %	0%
Target figure %	40%
Year for meeting target	2030

Statement on data ethics

The Group complies with current legislation in the countries in which it operates, including processing of personal data in accordance with the General Data Protection Regulation. Data processing is, however, not an integrated part of the Company's business activities, and since the Company does not use algorithms or similar tools for data analysis, no formal data ethics policy has been prepared.

Management's review

Unusual events

The financial position on 31 December 2023 of the Company and the results of the activities of the Company for the financial year for 2023 have not been affected by any unusual events.

Subsequent events

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

Income statement 1 January - 31 December

	Note	2023	2022
		TDKK	TDKK
Revenue	1	1,436,576	1,145,721
Expenses for raw materials and consumables		-1,415,972	-1,132,592
Other external expenses		-3,618	-3,175
Gross profit		16,986	9,954
Staff expenses	2	-2,120	-1,859
Depreciation and impairment losses of property, plant and equipment	3	-412	-75
Profit/loss before financial income and expenses		14,454	8,020
Financial income	4	340	337
Financial expenses		-4,486	-2,685
Profit/loss before tax		10,308	5,672
Tax on profit/loss for the year	5	-2,766	-1,149
Net profit/loss for the year	6	7,542	4,523

Balance sheet 31 December

Assets

	Note	2023	2022
		TDKK	TDKK
Plant and machinery		5,134	5,546
Other fixtures and fittings, tools and equipment		20	0
Property, plant and equipment in progress		18,405	0
Property, plant and equipment	7	23,559	5,546
Deposits	8	20	7
Fixed asset investments		20	7
Fixed assets		23,579	5,553
Raw materials and consumables		1,766	1,992
Finished goods and goods for resale		83,704	59,192
Inventories		85,470	61,184
Trade receivables		232,844	185,503
Receivables from group enterprises		8,722	9,537
Other receivables		0	2,533
Prepayments	9	50	2,500
Receivables		241,616	200,073
Cash at bank and in hand		3,917	3,750
Current assets		331,003	265,007
Assets		354,582	270,560

Balance sheet 31 December

Liabilities and equity

	Note	2023	2022
		TDKK	TDKK
Share capital	10	1,000	1,000
Retained earnings		38,623	32,081
Proposed dividend for the year		1,000	1,100
Equity		40,623	34,181
Provision for deferred tax		435	0
Provisions		435	0
Other payables		0	41
Long-term debt	11	0	41
Credit institutions		65,627	49,537
Trade payables		212,312	159,798
Payables to group enterprises relating to corporation tax		2,331	1,149
Other payables	11	33,254	25,854
Short-term debt		313,524	236,338
Debt		313,524	236,379
Liabilities and equity		354,582	270,560
Contingent assets, liabilities and other financial obligations	12		
Related parties	13		
Fee to auditors appointed at the general meeting	14		
Subsequent events	15		
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Statement of changes in equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	1,000	32,081	1,100	34,181
Ordinary dividend paid	0	0	-1,100	-1,100
Net profit/loss for the year	0	6,542	1,000	7,542
Equity at 31 December	1,000	38,623	1,000	40,623

Notes to the Financial Statements

	2023	2022
	TDKK	TDKK
1. Revenue		
Geographical segments		
Denmark	72,455	30,126
EU	1,286,056	1,071,509
Other	78,065	44,086
	<u>1,436,576</u>	<u>1,145,721</u>

	2023	2022
	TDKK	TDKK
2. Staff Expenses		
Wages and salaries	2,058	1,816
Other social security expenses	21	21
Other staff expenses	41	22
	<u>2,120</u>	<u>1,859</u>

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

Average number of employees	<u>3</u>	<u>3</u>
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	2023	2022
	TDKK	TDKK
3. Depreciation and impairment losses of property, plant and equipment		
Depreciation of property, plant and equipment	412	75
	<u>412</u>	<u>75</u>

Notes to the Financial Statements

	2023	2022
	TDKK	TDKK
4. Financial income		
Interest received from group enterprises	290	267
Other financial income	50	0
Exchange adjustments	0	70
	340	337

	2023	2022
	TDKK	TDKK
5. Income tax expense		
Current tax for the year	2,331	1,149
Deferred tax for the year	142	0
Adjustment of deferred tax concerning previous years	293	0
	2,766	1,149

	2023	2022
	TDKK	TDKK
6. Profit allocation		
Proposed dividend for the year	1,000	1,100
Retained earnings	6,542	3,423
	7,542	4,523

7. Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress
	TDKK	TDKK	TDKK
Cost at 1 January	5,621	0	0
Additions for the year	0	20	18,405
Cost at 31 December	5,621	20	18,405
Impairment losses and depreciation at 1 January	75	0	0
Depreciation for the year	412	0	0
Impairment losses and depreciation at 31 December	487	0	0
Carrying amount at 31 December	5,134	20	18,405

Notes to the Financial Statements

8. Other fixed asset investments

	Deposits
	TDKK
Cost at 1 January	7
Additions for the year	13
Cost at 31 December	20
Carrying amount at 31 December	20

9. Prepayments

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

10. Share capital

The share capital consists of 1,000,000 shares of a nominal value of TDKK 1.000. No shares carry any special rights.

11. 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:

Other payables

	2023	2022
	TDKK	TDKK
After 5 years	0	0
Between 1 and 5 years	0	41
Long-term part	0	41
Other short-term payables	33,254	25,854
	33,254	25,895

Notes to the Financial Statements

	2023	2022
	TDKK	TDKK
12. Contingent assets, liabilities and other financial obligations		
Charges and security		
The following assets have been placed as security with bankers:		
Ringkøbing Landbobank	3,726	3,719
As security for bank debt, a floating charge of a total of TDKK 4.000 has been provided. The charge is secured in trade receivables, inventory and property, plant and equipment with a carrying amount of	341,873	252,233
The following assets have been placed as security with mortgage credit institutes:		
The Company's portfolio of invoices of DKK 66.864k at 31. December 2023 is provided as security to a credit institution.		

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. 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 unearned income.

13. Related parties

	<u>Basis</u>
Controlling interest	
POSEIDICOM ApS, Skelstedet 2A, 2950 Vedbæk	Parent company
Other related parties	
Søren Dam, Nødebovej 27, 3480 Fredensborg	CEO

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.

Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
14. Fee to auditors appointed at the general meeting		
Audit fee	155	57
Other assurance engagements	70	43
	<u>225</u>	<u>100</u>

15. Subsequent events

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

Notes to the Financial Statements

16. Accounting policies

The Annual Report of SKAGA INVEST ApS for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2023 are presented in TDKK.

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 Poseidicom ApS, 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.

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 transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

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

Segment information on revenue

Information on geographical segments is based on the Company's risks and returns and its internal financial reporting system.

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.

Notes to the Financial Statements

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 as well as office expenses, etc.

Staff expenses

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

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise 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.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for 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 parent company. The tax effect of the joint taxation is allocated to 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:

Plant and machinery	10 years
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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 and investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by depreciation.

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

Notes to the Financial Statements

Other fixed asset investments

Fixed asset investments consist of deposits.

Inventories

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

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

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

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Prepayments

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

Equity

Dividend

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

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Financial liabilities

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

Financial Highlights

Explanation of financial ratios

Gross margin	$\text{Gross profit} \times 100 / \text{Revenue}$
Return on assets	$\text{Profit/loss of ordinary primary operations} \times 100 / \text{Total assets at year end}$
Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$