

## **Tuco Yacht Værft ApS**

Krogsbjergvej 2, 5600 Faaborg

**CVR no. 32 07 22 91**

**Annual report for the period  
1. January - 31. December 2018**

The Annual report was presented  
and adopted at the Annual General  
Meeting of the Company on 26 June 2019

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Jacob Styrbæk Frost  
Chairman of the general meeting



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## Statement by management on the annual report

The executive board has today discussed and approved the annual report of Tuco Yacht Værft ApS for the financial year 1 January - 31 December 2018.

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 company's financial position at 31 December 2018 and of the results of the company's operations for the financial year 1 January - 31 December 2018.

In my opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved by the company in general meeting.

Faaborg, 26 June 2019

### Executive board

Jonas Pedersen

## Independent auditor's report

### *To the shareholder of Tuco Yacht Værft ApS*

#### **Opinion**

We have audited the financial statements of Tuco Yacht Værft ApS for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies. The financial statements are prepared under 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 2018 and of the results of the company's operations for the financial year 1 January - 31 December 2018 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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Management's responsibilities for the financial statements**

Management is responsible for the preparation of financial statements, that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as management determines is necessary to enable the preparation of the 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.

## Independent auditor's report

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.
- 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.

## Independent auditor's report

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.

Odense, 26 June 2019

**Baker Tilly Denmark**  
Godkendt Revisionspartnerselskab  
CVR no. 35 25 76 91

Jeppe Pedersen  
Registered Public Accountant  
MNE no. mne33677

## Company details

### The company

Tuco Yacht Værft ApS  
Krogsbjergvej 2  
5600 Faaborg

CVR no.: 32 07 22 91

Reporting period: 1 January - 31 December 2018

Incorporated: 5. March 2009

Domicile: Faaborg

### Executive board

Jonas Pedersen

### Auditors

Baker Tilly Denmark  
Godkendt Revisionspartnerselskab  
Hjallesevej 126  
5230 Odense M

## Management's review

### Business activities

The company's main activity is to produce and repair boats and vessels as well as to provide subcontractor work to the maritime industry.

### Business review

The company's income statement for the year ended 31 December shows a profit of DKK 256.280, and the balance sheet at 31 December 2018 shows equity of DKK 3.725.087.

### Financial review

Tuco Yacht Værft specialization in lightweight hulls and fast boats for professional users is well supported by latest year's positive trends in the commercial maritime industry for the lightweight segment. The company's development activities and the continued development of the ProZero line of fast boats for professionals pursued these trends.

Sales and development of vessels in the ProZero line of fast boats now constitute the major share of the group's revenue.

In 1 quarter 2016, the business group received a grant from the EU Horizon 2020 program for research and development support, this grant has supported the company's strategy focusing on the further development of the ProZero range of fast boats for professional users, and the project was successfully completed in 2018 and has led to an increase in turnover and employment in line with the project objectives.

The year has therefore also been influenced by significant development activities, as the group has worked intensively with the development of the ProZero line of fast boats for professional users. Development activities have resulted in a natural decline in the overhead-contributing activities in Tuco Yacht Værft ApS, which is reflected in the group's results.

### Significant events occurring after end of reporting period

No events have occurred after the balance sheet date which could significantly affect the company's financial position.



## Income statement 1 January - 31 December

	Note	2018 DKK	2017 TDKK
<b>Gross profit</b>		<b>9.463.947</b>	<b>11.925</b>
Staff costs	1	-7.675.651	-8.712
<b>Profit/loss before amortisation/depreciation and impairment losses</b>		<b>1.788.296</b>	<b>3.213</b>
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-303.757	-479
<b>Profit/loss before financial income and expences</b>		<b>1.484.539</b>	<b>2.734</b>
Financial income	2	203.399	1
Financial costs	3	-1.335.746	-500
<b>Profit/loss before tax</b>		<b>352.192</b>	<b>2.235</b>
Tax on profit/loss for the year	4	-95.912	-503
<b>Profit/loss for the year</b>		<b>256.280</b>	<b>1.732</b>
Retained earnings		256.280	1.732
		<b>256.280</b>	<b>1.732</b>

## Balance sheet 31 December

	Note	2018 DKK	2017 TDKK
<b>Assets</b>			
Completed development projects		3.501.989	693
<b>Intangible assets</b>	5	<b>3.501.989</b>	<b>693</b>
Plant and machinery		12.100.810	1.663
Other fixtures and fittings, tools and equipment		64.209	0
Leasehold improvements		35.953	44
Ships, equipment and funded projects in progress		0	19.287
<b>Tangible assets</b>	6	<b>12.200.972</b>	<b>20.994</b>
<b>Total non-current assets</b>		<b>15.702.961</b>	<b>21.687</b>
Raw materials and consumables		1.296.244	1.597
Finished goods and goods for resale		4.700.288	4.397
<b>Stocks</b>		<b>5.996.532</b>	<b>5.994</b>
Trade receivables		1.861.386	2.265
Contract work in progress	7	0	0
Receivables from subsidiaries		2.158.795	568
Other receivables		1.694.510	784
Prepayments		3.276	127
<b>Receivables</b>		<b>5.717.967</b>	<b>3.744</b>
<b>Cash at bank and in hand</b>		<b>1.857.781</b>	<b>0</b>
<b>Total current assets</b>		<b>13.572.280</b>	<b>9.738</b>
<b>Total assets</b>		<b>29.275.241</b>	<b>31.425</b>

## Balance sheet 31 December

	Note	2018 DKK	2017 TDKK
<b>Equity and liabilities</b>			
Share capital		125.000	125
Reserve for development costs		2.389.632	181
Retained earnings		1.210.455	3.163
<b>Equity</b>		<b>3.725.087</b>	<b>3.469</b>
Provision for deferred tax		1.206.228	1.110
<b>Total provisions</b>		<b>1.206.228</b>	<b>1.110</b>
Banks		2.661.820	1.285
Other payables		6.398.681	0
<b>Total non-current liabilities</b>	8	<b>9.060.501</b>	<b>1.285</b>
Short-term part of lon-term debt	8	1.008.600	429
Banks		0	90
Trade payables		4.458.339	1.949
Prepayments received recognised in debt	7	1.474.659	4.837
Payables to subsidiaries		1.492.115	2.732
Payables to associates		14.454	33
Other payables		2.603.087	1.687
Deferred income	9	4.232.171	13.804
<b>Total current liabilities</b>		<b>15.283.425</b>	<b>25.561</b>
<b>Total liabilities</b>		<b>24.343.926</b>	<b>26.846</b>
<b>Total equity and liabilities</b>		<b>29.275.241</b>	<b>31.425</b>
Rent and lease liabilities	10		
Contingent assets, liabilities and other financial obligations	11		
Charges and securities	12		

## Statement of changes in equity

	Share capital	Reserve for development costs	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	125.000	142.586	3.201.221	3.468.807
Other equity movements	0	-12.962	12.962	0
Transfers, reserves	0	2.260.008	-2.260.008	0
Net profit/loss for the year	0	0	256.280	256.280
<b>Equity at 31 December</b>	<b>125.000</b>	<b>2.389.632</b>	<b>1.210.455</b>	<b>3.725.087</b>

## Notes

	2018 DKK	2017 TDKK
<b>1 Staff costs</b>		
Wages and salaries	9.775.805	7.201
Pensions	828.529	649
Other social security costs	815.909	562
Other staff costs	490.690	300
	<b>11.910.933</b>	<b>8.712</b>
Transfer to non-current assets	-4.235.282	0
	<b>7.675.651</b>	<b>8.712</b>
Average number of employees	25	21
<b>2 Financial income</b>		
Interest received from subsidiaries	0	3
Other financial income	145.988	6
Exchange gains	57.411	-8
	<b>203.399</b>	<b>1</b>
<b>3 Financial costs</b>		
Interest paid to subsidiaries	157.107	161
Interest paid to associates	0	2
Other financial costs	1.178.639	337
	<b>1.335.746</b>	<b>500</b>
<b>4 Tax on profit/loss for the year</b>		
Deferred tax for the year	95.912	503
	<b>95.912</b>	<b>503</b>

## Notes

### 5 Intangible assets

	Completed development projects DKK
Cost at 1 January	1.325.058
Additions for the year	2.897.446
Cost at 31 December	4.222.504
Impairment losses and amortisation at 1 January	632.177
Depreciation for the year	88.338
Impairment losses and amortisation at 31 December	720.515
<b>Carrying amount at 31 December</b>	<b>3.501.989</b>

Development projects involves the Horizon2020 project, which is completed during 2018. Costs regarding development refer to design- and production drawings.

### 6 Tangible assets

	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improvement s DKK	Ships, equipment and funded projects in progress DKK	Total DKK
Cost at 1 January	2.458.557	60.043	79.905	19.287.287	21.885.792
Additions for the year	10.642.022	67.000	0	6.851.902	17.560.924
Disposals for the year	0	-60.043	0	-26.139.189	-26.199.232
Cost at 31 December	13.100.579	67.000	79.905	0	13.247.484

## Notes

## 6 Tangible assets (Fortsat)

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvement s	Ships, equipment and funded projects in progress	Total
	DKK	DKK	DKK	DKK	DKK
Impairment losses and depreciation at 1 January	795.133	60.043	35.960	0	891.136
Depreciation for the year	204.636	2.791	7.992	0	215.419
Reversal of impairment and depreciation of sold assets	0	-60.043	0	0	-60.043
Impairment losses and depreciation at 31 December	999.769	2.791	43.952	0	1.046.512
<b>Carrying amount at 31 December</b>	<b>12.100.810</b>	<b>64.209</b>	<b>35.953</b>	<b>0</b>	<b>12.200.972</b>

## 7 Contract work in progress

	2018 DKK	2017 TDKK
Work in progress, selling price	6.736.968	18.886
Work in progress, payments received on account	-8.211.627	-23.723
	<b>-1.474.659</b>	<b>-4.837</b>
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	0	0
Prepayments received recognised in debt	-1.474.659	-4.837
	<b>-1.474.659</b>	<b>-4.837</b>

## Notes

### 8 Long term debt

	Debt at 1 January	Debt at 31 December	Instalment next year	Debt outstanding after 5 years
	DKK	DKK	DKK	DKK
Banks	2.142.800	3.670.420	1.008.600	0
Other payables	0	6.398.681	0	0
	<b>2.142.800</b>	<b>10.069.101</b>	<b>1.008.600</b>	<b>0</b>

### 9 Deferred income

Deferred income consists of received grants which will be recognised as other income over the depreciation period for the related assets. As long as the terms of the grant are met there will be no claim for repayment.



Notes

	<u>2018</u> DKK	<u>2017</u> TDKK
<b>10 Rent and lease liabilities</b>		
<b>Rent and lease liabilities</b>		
Operating lease liabilities.		
Total future lease payments:		
Assignment obligation regarding operating leases. Expected residual values on expiry of leases.	84.000	31
	<u><b>84.000</b></u>	<u><b>31</b></u>
Rent obligation, uopsigelighedsperiode 6 months.	780.000	780
Operating lease liabilities.		
Total future lease payments:		
Within 1 year	16.800	0
Between 1 and 5 years	50.400	0
	<u><b>67.200</b></u>	<u><b>0</b></u>

## Notes

### 11 Contingent assets, liabilities and other financial obligations

The company is jointly taxed with Danish Companies, with Tuco Group ApS as the administration company. The company is therefore held liable under the corporation Tax Act rules accordingly for any obligation to withhold tax on interest, royalties and dividends for the jointly taxed companies.

The company has issued performance and advance payment guarantees of TDKK 14.918 regarding third party relation.

The company has initiated a legal recovery procedure against the client following an already delivered project. The management expects that the lawsuit will have no further impact on company financial status except that is already incorporated in the financial statement for 2018.

### 12 Charges and securities

As security regarding a bankloan TDKK 2.100 the company has issued a loss guarantee in connection with Export Kredit Fonden limited to 70 % of the loan debt.

As security regarding a bankloan TDKK 2.000 the company has issued a loss guarantee in connection with Vækstfonden limited to 75 % of the loan debt.

As security for the engagements with the bank are secured for their engagements, by floating charge in the company's assets in the amount of DKK 5.000.000 and by a chattel mortgage in certain fixed assets limited to DKK 500.000.

As security for their engagement Vækstfonden have secured it in floating charge in the company's assets in the amount of DKK 4.000.000 and by a chattel mortgage in 2 boats limited to respectively DKK 1.000.000 each.

The floating charge are also used as security in relation to the bank engagement in Tuco Group ApS' and Tuco Composites ApS.

The company has made an unlimited self-confidential guarantee regarding the bank engagements in Tuco Group ApS.

## Accounting policies

The annual report of Tuco Yacht Værft ApS for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected provisions as regards larger entities.

The accounting policies applied are consistent with those of last year.

During the year the estimates regarding the usefull life of development projects has been changed. The usefull life of development projects have been connected to the depreciation of the molds included in plant and machinery. The change has improved the result before taxes by 177 t.kr

### Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits 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 from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

### Income statement

#### Gross profit

In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue.

Gross profit reflects an aggregation of revenue, changes in inventories of finished goods and work in progress and other operating income less costs of raw materials and consumables and other external expenses.

## Accounting policies

### Revenue

Revenue is measured at the fair value of the agreed consideration, excluding VAT and other indirect taxes. Revenue is net of all types of discounts granted.

Income from customised products is recognised as production is carried out, implying that revenue corresponds to the selling price of contracts completed in the year (percentage-of-completion method). This method is applied where the total income and expenses relating to the contract and the stage of completion at the balance sheet date can be estimated reliably and it is probable that future economic benefits will flow to the Company.

### Expenses for raw materials and consumables

Costs of raw materials and consumables include the raw materials and consumables used in generating the year's revenue.

### Other operating income

Other operating income comprises items of a secondary nature relative to the company's activities, including gains on the sale of intangible assets and property, plant and equipment.

### Other external costs

Other external costs include expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Other external costs also comprise research and development costs that do not qualify for capitalisation.

### Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

### Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

## Accounting policies

### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses, financial expenses relating to finance leases, realised and unrealised capital/exchange gains and losses on securities and foreign currency transactions, amortisation of mortgage loans and surcharges and allowances under the advance-payment-of-tax scheme, etc.

### Tax on profit/loss for the year

The company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. Subsidiaries participate in the joint taxation arrangement from the time when they are included in the consolidated financial statements and until the time when they withdraw from the consolidation.

On payment of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use tax losses to reduce their own taxable profits.

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

## Accounting policies

### Balance sheet

#### Intangible assets

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the Group can be demonstrated, and there it is the intention to manufacture, market or use the projects, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administration expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalized development costs are measured at cost less accumulated amortisation and impairment losses accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognized development costs is allocated to the equity item "Reserve for development costs". The reserve comprises only development costs recognised in the financial years beginning on or after 1. January 2016. The reserve is reduced by amortization of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 15 years.

#### Tangible assets

Items of plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

	Useful life	Residual value
Plant and machinery	5-15 years	0 %
Other fixtures and fittings, tools and equipment	5-10 years	0 %
Leasehold improvements	10 years	0 %

## Accounting policies

### Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is reviewed for impairment, other than what is reflected through normal amortisation and depreciation, on an annual basis.

### Stocks

Stocks are measured at cost using the FIFO method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

The cost of goods for resale, raw materials and consumables comprises the purchase price plus delivery costs.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirects production costs.

The net realisable value of stocks is calculated as the selling price less costs of completion and expenses incurred to effect the sale. The net realisable value is determined taking into account marketability, obsolescence and expected selling price movements.

### Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable is impaired, an impairment loss for that individual asset is recognised.

### Contract work in progress

Contract work in progress is measured at the selling price of the work performed. The selling price is measured by reference to the stage of completion at the balance sheet date and the expected aggregate income from the individual work in progress. The stage of completion is determined as the share of the expenses incurred relative to the expected total expenses for the individual work in progress.

Where the selling price of work in progress cannot be estimated reliably, the selling price is measured at the lower of costs incurred and net realisable value.

The individual work in progress is recognised in the balance sheet under receivables or payables. Net assets comprise the sum of work in progress where the selling price of the work performed exceeds invoicing on account. Net liabilities comprise the sum of work in progress where invoicing on account exceeds the selling price.

## Accounting policies

Selling costs and costs incurred in securing contracts are recognised in the income statement as incurred.

### Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

### Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term securities whose remaining life is less than three months and which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

### Income tax and deferred tax

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

Joint taxation contributions payable and receivable are recognised in the balance sheet as 'Joint taxation contributions receivable' or 'Joint taxation contributions payable'.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax adjustments resulting from changes in tax rates are recognised in the income statement, with the exception of items taken directly to equity.

### Liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. On subsequent recognition, the financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Mortgage debt is thus measured at amortised cost, which for cash loans corresponds to the outstanding debt. For bond loans, amortised cost corresponds to an outstanding debt calculated as the underlying cash value of the loan at the time of borrowing, adjusted by amortisation of the value adjustment of the loan at the time of borrowing.



## Accounting policies

Other liabilities, which include trade payables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

### Deferred income

Deferred income comprises payments received concerning income in subsequent reporting years.

### Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign-exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. If foreign currency transactions are considered cash flow hedges, the value adjustments are taken directly to equity.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.