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# ***Croda Denmark A/S***

Elsenbakken 23, DK-3600 Frederikssund

## **Annual Report for 1 January - 31 December 2021**

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CVR No 36 05 87 14

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
30/06 2022

Peter Holm Tygesen  
Chairman of the General  
Meeting



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# Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Croda Denmark A/S for the financial year 1 January - 31 December 2021.

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

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

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Frederikssund, 30 June 2022

## Executive Board

Peter Holm Tygesen  
CEO

## Board of Directors

Daniele Piergentili  
Chairman

Freek Franciscus Snieders

Peter Holm Tygesen

# **Independent Auditor's Report**

To the Shareholder of Croda Denmark A/S

## **Report on the Financial Statements**

### **Opinion**

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

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

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Statement on Management's Review**

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

# Independent Auditor's Report

## **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 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.

## 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.

### Reporting obligations under section 7(2) of the Danish Executive Order on Approved Auditors' Reports

#### Non-compliance with Danish tax legislation

During the fiscal year 2021, the company have not filed VAT on time to the Tax Authorities, whereby the management can be held responsible.

#### Non-compliance with the Danish Companies Act

Hellerup, 30 June 2022

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Ulrik Ræbild  
State Authorised Public Accountant  
mne33262

Nikolaj Erik Johnsen  
State Authorised Public Accountant  
mne35806

## Company Information

### **The Company**

Croda Denmark A/S  
Elsenbakken 23  
DK-3600 Frederikssund

CVR No: 36 05 87 14  
Financial period: 1 January - 31 December  
Municipality of reg. office: Frederikssund

### **Board of Directors**

Daniele Piergentili  
Freek Franciscus Snieders  
Peter Holm Tygesen

### **Executive Board**

Peter Holm Tygesen

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

# Financial Highlights

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

	2021 TDKK	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Gross profit/loss	136,855	81,110	47,797	82,648	82,081
Operating profit/loss	54,985	14,572	-16,799	18,429	17,068
Profit/loss before financial income and expenses	54,931	14,328	-16,272	15,211	15,210
Net financials	2,220	-1,049	-358	-649	-56
Net profit/loss for the year	44,862	10,941	-13,774	11,312	11,596
<b>Balance sheet</b>					
Balance sheet total	451,179	410,456	365,419	348,777	339,390
Equity	272,849	247,987	209,969	186,743	158,413
Number of employees	98	85	86	85	90
<b>Ratios</b>					
Return on assets	12.2%	3.5%	-4.5%	4.4%	4.4%
Solvency ratio	60.5%	60.4%	57.5%	53.5%	46.7%
Return on equity	17.2%	4.8%	-6.9%	6.6%	7.3%

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



# Management's Review

## **Key activities**

The Company's activity consists of the production and sale of adjuvants.

Sales are mainly effected to countries outside the EU.

## **Development in the year**

The income statement of the Company for 2021 shows a profit of TDKK 44,862, and at 31 December 2021 the balance sheet of the Company shows equity of TDKK 272,849.

2021 was one of the best year for Croda Denmark since the Bio-sector acquisition. The vaccine adjuvant business experienced rapid sales growth driven by COVID projects and new sales development within Asia. We also made huge progress in integrating the business with the rest of Croda and relied heavily on our sales network to grow the vaccine adjuvant business. In 2021, we also started a trading model - re-selling the Omega oil products from our Leek sites to customer all over Europe.

Overall sales growth over 2021 was an impressive 85% growth over LY. Whilst GM% suffered some decline of a new trading model where we only earn a small trading margin, the overall profitability growth is still hugely impressive with operating profits growing nearly 3 times over the same period last year.

## **Expectations for 2022**

Outlook for 2022 remains robust and we forecast to achieve sales growth of around +16% to +20% with revenue of between 268m DKK to 300m DKK.

## ***Operating risks***

The Company produces and sells goods, and the risk is related to Company's production capacity.

## ***Market risks***

The Company is currently subject to the competition and market situation - including customer expectations to the future and thus the demand for products offered by the Company.

## ***Credit risks***

The Company's credit risks relate exclusively to our customers. Internal control systems in the form of tight credit control and application of external credit information imply that the Company is not subject to any material risks posed by individual customers or business partners, and historically the Company has not realized any major bad debts.

# **Management's Review**

## **Strategy and objectives**

### **Strategy**

The Company's strategy is to develop our core business, i.e. aluminum-based adjuvants, through an everstronger connection with our customer base in terms of delivering products and expertise to the customers. In addition, we will continuously expand our current production capacity to reflect the growth in the adjuvant market. Lastly, it is a strategic decision to work purposefully to expand our product portfolio through the development, and launch, of new and innovative adjuvants.

### **External environment**

Croda is continuously working on limiting our impact on the external environment surrounding our warehouses and factories in accordance with the current rules.

The Croda Group furthermore places a numbers of requirements on the Company's management of the external environment.

### **Uncertainty relating to recognition and measurement**

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

## Income Statement 1 January - 31 December

	Note	2021 TDKK	2020 TDKK
<b>Gross profit/loss</b>		<b>136,855</b>	<b>81,110</b>
Staff expenses	1	-72,791	-60,291
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-9,133	-6,491
<b>Profit/loss before financial income and expenses</b>		<b>54,931</b>	<b>14,328</b>
Financial income		3,086	1,941
Financial expenses		-866	-2,990
<b>Profit/loss before tax</b>		<b>57,151</b>	<b>13,279</b>
Tax on profit/loss for the year	2	-12,289	-2,338
<b>Net profit/loss for the year</b>		<b>44,862</b>	<b>10,941</b>

# Balance Sheet 31 December

## Assets

	Note	2021 TDKK	2020 TDKK
Acquired customer list		6,897	7,725
Software		7	149
<b>Intangible assets</b>	<b>3</b>	<b>6,904</b>	<b>7,874</b>
Land and buildings		56,690	58,329
Plant and machinery		82,314	62,567
Other fixtures and fittings, tools and equipment		241	0
Leasehold improvements		0	0
Property, plant and equipment in progress		27,928	30,195
<b>Property, plant and equipment</b>	<b>4</b>	<b>167,173</b>	<b>151,091</b>
Investments in subsidiaries	5	151,657	151,657
Deposits	6	319	241
<b>Fixed asset investments</b>		<b>151,976</b>	<b>151,898</b>
<b>Fixed assets</b>		<b>326,053</b>	<b>310,863</b>
<b>Inventories</b>	<b>7</b>	<b>32,769</b>	<b>29,335</b>
Trade receivables		31,341	33,631
Receivables from group enterprises		17,527	10,465
Other receivables		4,271	6,573
Corporation tax		1,643	3,315
Prepayments	8	0	2,493
<b>Receivables</b>		<b>54,782</b>	<b>56,477</b>
<b>Cash at bank and in hand</b>		<b>37,575</b>	<b>13,781</b>
<b>Currents assets</b>		<b>125,126</b>	<b>99,593</b>
<b>Assets</b>		<b>451,179</b>	<b>410,456</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2021 TDKK	2020 TDKK
Share capital		500	500
Retained earnings		272,349	247,487
<b>Equity</b>	<b>9</b>	<b>272,849</b>	<b>247,987</b>
Provision for deferred tax	11	10,873	8,956
<b>Provisions</b>		<b>10,873</b>	<b>8,956</b>
Other payables		126,560	131,597
<b>Long-term debt</b>	<b>12</b>	<b>126,560</b>	<b>131,597</b>
Trade payables		16,689	4,660
Payables to group enterprises		4,911	55
Other payables	12	14,082	11,241
Deferred income		5,215	5,960
<b>Short-term debt</b>		<b>40,897</b>	<b>21,916</b>
<b>Debt</b>		<b>167,457</b>	<b>153,513</b>
<b>Liabilities and equity</b>		<b>451,179</b>	<b>410,456</b>
Distribution of profit	10		
Contingent assets, liabilities and other financial obligations	13		
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## Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January	500	247,487	247,987
Extraordinary dividend paid	0	-20,000	-20,000
Net profit/loss for the year	0	44,862	44,862
<b>Equity at 31 December</b>	<b>500</b>	<b>272,349</b>	<b>272,849</b>

# Notes to the Financial Statements

	2021 TDKK	2020 TDKK
<b>1 Staff expenses</b>		
Wages and salaries	66,799	55,174
Pensions	5,732	4,971
Other social security expenses	260	98
Other staff expenses	0	48
	<b>72,791</b>	<b>60,291</b>
<b>Average number of employees</b>	<b>98</b>	<b>85</b>

In accordance with section 98(b)(3) of Danish Financial Statements Act, remuneration to the Executive Board is not disclosed.

## 2 Tax on profit/loss for the year

Current tax for the year	10,357	1,493
Deferred tax for the year	1,917	1,137
Adjustment of tax concerning previous years	15	-292
	<b>12,289</b>	<b>2,338</b>

# Notes to the Financial Statements

## 3 Intangible assets

	Acquired customer list TDKK	Software TDKK
Cost at 1 January	8,277	2,000
Cost at 31 December	8,277	2,000
Impairment losses and amortisation at 1 January	552	1,851
Amortisation for the year	828	142
Impairment losses and amortisation at 31 December	1,380	1,993
<b>Carrying amount at 31 December</b>	<b>6,897</b>	<b>7</b>
Amortised over		3-10 years

## 4 Property, plant and equipment

	Land and buildings TDKK	Plant and machinery TDKK	Other fixtures and fittings, tools and equipment TDKK	Leasehold improvements TDKK	Property, plant and equipment in progress TDKK
Cost at 1 January	75,057	113,186	959	2,626	31,118
Additions for the year	102	14,465	269	0	9,410
Disposals for the year	0	-748	-498	0	-11,677
Transfers for the year	0	11,677	0	0	0
Cost at 31 December	75,159	138,580	730	2,626	28,851
Depreciation at 1 January	16,728	50,620	959	2,626	923
Depreciation for the year	1,741	6,394	28	0	0
Depreciation of sold assets for the year	0	-748	-498	0	0
Depreciation at 31 December	18,469	56,266	489	2,626	923
<b>Carrying amount at 31 December</b>	<b>56,690</b>	<b>82,314</b>	<b>241</b>	<b>0</b>	<b>27,928</b>
Depreciated over	30-40 years	4-20 years	4-6 years	3-8 years	



# Notes to the Financial Statements

	2021 TDKK	2020 TDKK
<b>5 Investments in subsidiaries</b>		
Cost at 1 January	151,657	151,657
<b>Carrying amount at 31 December</b>	<b>151,657</b>	<b>151,657</b>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Adjuvac International AB	Uppsala	SEK 50.000	100%

## 6 Other fixed asset investments

	Deposits TDKK
Cost at 1 January	241
Additions for the year	78
Cost at 31 December	319
<b>Carrying amount at 31 December</b>	<b>319</b>

## 7 Inventories

Raw materials and consumables	8,210	7,829
Work in progress	33	589
Finished goods and goods for resale	24,526	20,917
	<b>32,769</b>	<b>29,335</b>

## 8 Prepayments

Prepayments consist of prepaid expenses concerning rent and insurance premiums.

# Notes to the Financial Statements

## 9 Equity

The share capital consists of 500,000 shares of a nominal value of TDKK 1. No shares carry any special rights.

## 10 Distribution of profit

Extraordinary dividend paid	20,000	0
Retained earnings	24,862	10,941
	<b>44,862</b>	<b>10,941</b>

## 11 Provision for deferred tax

Provision for deferred tax at 1 January	8,956	7,819
Amounts recognised in the income statement for the year	1,917	1,137
<b>Provision for deferred tax at 31 December</b>	<b>10,873</b>	<b>8,956</b>
	<b>10,873</b>	<b>8,956</b>

## 12 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:

	2021 TDKK	2020 TDKK
<b>Other payables</b>		
Between 1 and 5 years	126,560	131,597
Long-term part	126,560	131,597
Other short-term payables	14,082	11,241
	<b>140,642</b>	<b>142,838</b>

## Notes to the Financial Statements

	2021 TDKK	2020 TDKK
<b>13 Contingent assets, liabilities and other financial obligations</b>		
<b>Rental and lease obligations</b>		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	171	222
Between 1 and 5 years	169	289
	<b>340</b>	<b>511</b>
Rental obligations	4,304	5,353

# Notes to the Financial Statements

## 14 Related parties

	<u>Basis</u>
<b>Controlling interest</b>	
Croda Europe Limited	Majority shareholder

### Transactions

The sale of goods to associates amount to DKK 145,567k in 2021. In connection with sales, the Company pays a commission which amounts to DKK 7,678k.

The Company pays an IT charge to its Parent company, Croda Europe Ltd. The IT charges invoiced by associates amount to DKK 2,408 in 2021.

The Company has in 2021 received an personnel charge from its associates which amounts to DKK 207k.

### Consolidated Financial Statements

The Company is included in the consolidated financial statements of Croda International Plc.

<u>Name</u>	<u>Place of registered office</u>
Croda International Plc	East Yorkshire, England

The Group Annual Report of Croda International Plc may be obtained at the following address:

Croda International Plc  
Cowick Hall  
Snaith  
Goole  
East Yorkshire DN14 9AA  
England

# Notes to the Financial Statements

## 15 Accounting Policies

The Annual Report of Croda Denmark A/S for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Financial Statements for 2021 are presented in TDKK.

### Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Croda International Plc, the Company has not prepared consolidated financial statements.

### Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Croda International Plc, 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.

### Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

# Notes to the Financial Statements

## 15 Accounting Policies (continued)

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

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

## 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.

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

# Notes to the Financial Statements

## 15 Accounting Policies (continued)

### 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 indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

### Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

### Staff expenses

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

### Amortisation, depreciation and impairment losses

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

### Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and 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 changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

# Notes to the Financial Statements

## 15 Accounting Policies (continued)

### Balance Sheet

#### Intangible assets

Software is measured at cost with deduction of accumulated amortisation. Software are amortised on a straight line basis over an evaluation of the expected useful life. Usually, the amortisation period is 3-8 years.

#### 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.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Production buildings	30-40 years
Plant and machinery	4-20 years
Other fixtures and fittings, tools and equipment	4-6 years
Leasehold improvements	3-8 years

Depreciation period and residual value are reassessed annually.

#### Impairment of fixed assets

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

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



# Notes to the Financial Statements

## 15 Accounting Policies (continued)

### **Investments in subsidiaries**

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

### **Other fixed asset investments**

Other fixed asset investments consist of deposits.

### **Inventories**

Inventories are measured at the lower of cost based on weighted average prices and net realisable value.

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

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

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

### **Receivables**

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

### **Prepayments**

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

### **Equity**

#### ***Dividend***

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

# Notes to the Financial Statements

## 15 Accounting Policies (continued)

### Deferred tax assets and liabilities

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

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

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

### Current tax receivables and liabilities

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

### Financial debts

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

### Deferred income

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

## Financial Highlights

### Explanation of financial ratios

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