
Croda Denmark A/S

Elsenbakken 23, DK-3600 Frederikssund

Annual Report for 1 January - 31 December 2020

CVR No 36 05 87 14

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
29/6 2021

Nicholas Ian Challoner
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 2020.

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 2020 of the Company and of the results of the Company operations for 2020.

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, 29 June 2021

Executive Board

Peter Holm Tygesen
CEO

Board of Directors

Nicholas Ian Challoner
Chairman

Freek Franciscus Sneiders

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 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 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 2020, 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' 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.

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 2020, the company have not filed VAT on time to the Tax Authorities, whereby the management can be held responsible.

Hellerup, 29 June 2021

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

Nicholas Ian Challoner, Chairman
Freek Franciscus Sneiders
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:

	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK
Key figures					
Profit/loss					
Gross profit/loss	81,110	47,797	82,648	82,081	122,409
Operating profit/loss	14,572	-16,799	18,429	17,068	58,504
Profit/loss before financial income and expenses	14,328	-16,272	15,211	15,210	55,927
Net financials	-1,049	-358	-649	-56	-62
Net profit/loss for the year	10,941	-13,774	11,312	11,596	45,017
Balance sheet					
Balance sheet total	410,456	365,419	348,777	339,390	203,497
Equity	247,987	209,969	186,743	158,413	157,237
Number of employees	85	86	85	90	91
Ratios					
Return on assets	3.5%	-4.5%	4.4%	4.4%	27.3%
Solvency ratio	60.4%	57.5%	53.5%	46.7%	77.3%
Return on equity	4.8%	-6.9%	6.6%	7.3%	33.4%

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 2020 shows a profit of TDKK 10,941, and at 31 December 2020 the balance sheet of the Company shows equity of TDKK 247,987.

2020 was a turn-around year for Croda Denmark A/S as we increasingly get embedded within the Croda network. Turnover has increased much faster than anticipated due to better sales coverage from the various sales offices within Croda.

Expectations for 2021

Croda Denmark has been extensively involved in quite a number of COVID projects with customers around the world and we expect this momentum to continue into 2021 and beyond.

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	2020 TDKK	2019 TDKK
Gross profit/loss		81,110	47,797
Staff expenses	1	-60,291	-56,249
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-6,491	-7,820
Profit/loss before financial income and expenses		14,328	-16,272
Financial income		1,941	497
Financial expenses		-2,990	-855
Profit/loss before tax		13,279	-16,630
Tax on profit/loss for the year	2	-2,338	2,856
Net profit/loss for the year		10,941	-13,774

Balance Sheet 31 December

Assets

	Note	2020 TDKK	2019 TDKK
Acquired customer list		7,725	0
Software		149	347
Intangible assets	3	7,874	347
Land and buildings		58,329	54,453
Plant and machinery		62,567	56,458
Other fixtures and fittings, tools and equipment		0	0
Leasehold improvements		0	0
Property, plant and equipment in progress		30,195	30,472
Property, plant and equipment	4	151,091	141,383
Investments in subsidiaries	5	151,657	151,657
Deposits	6	241	241
Fixed asset investments		151,898	151,898
Fixed assets		310,863	293,628
Inventories	7	29,335	22,419
Trade receivables		33,631	13,712
Contract work in progress	8	0	19,950
Receivables from group enterprises		10,465	3,548
Other receivables		6,573	903
Corporation tax		3,315	3,378
Prepayments	9	2,493	558
Receivables		56,477	42,049
Cash at bank and in hand		13,781	7,323
Currents assets		99,593	71,791
Assets		410,456	365,419

Balance Sheet 31 December

Liabilities and equity

	Note	2020 TDKK	2019 TDKK
Share capital		500	500
Share premium account		0	59,709
Retained earnings		247,487	149,760
Equity	10	247,987	209,969
Provision for deferred tax	12	8,956	7,819
Other provisions		0	1,135
Provisions		8,956	8,954
Other payables		131,597	127,074
Long-term debt	13	131,597	127,074
Trade payables		4,660	2,415
Payables to group enterprises		55	1,328
Other payables	13	11,241	8,974
Deferred income	14	5,960	6,705
Short-term debt		21,916	19,422
Debt		153,513	146,496
Liabilities and equity		410,456	365,419
Distribution of profit	11		
Contingent assets, liabilities and other financial obligations	15		
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Statement of Changes in Equity

	Share capital	Share premium	Retained	Total
	TDKK	account	earnings	TDKK
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	500	59,709	149,760	209,969
Contribution from parent company	0	0	27,077	27,077
Net profit/loss for the year	0	0	10,941	10,941
Transfer from share premium account	0	-59,709	59,709	0
Equity at 31 December	500	0	247,487	247,987

Notes to the Financial Statements

	2020 TDKK	2019 TDKK
1 Staff expenses		
Wages and salaries	55,174	49,770
Pensions	4,971	5,657
Other social security expenses	98	818
Other staff expenses	48	4
	60,291	56,249
Average number of employees	85	89

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	1,493	0
Deferred tax for the year	1,137	-3,492
Adjustment of tax concerning previous years	-292	636
	2,338	-2,856

Notes to the Financial Statements

3 Intangible assets

	Acquired customer list TDKK	Software TDKK
Cost at 1 January	0	2,000
Additions for the year	8,277	0
Cost at 31 December	8,277	2,000
Impairment losses and amortisation at 1 January	0	1,653
Amortisation for the year	552	198
Impairment losses and amortisation at 31 December	552	1,851
Carrying amount at 31 December	7,725	149
Amortised over		3-8 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	69,643	102,894	959	2,626	30,472
Additions for the year	0	3,526	0	0	12,826
Transfers for the year	5,414	6,766	0	0	-12,180
Cost at 31 December	75,057	113,186	959	2,626	31,118
Impairment losses and depreciation at 1 January	15,190	46,436	959	2,626	0
Correction of depreciations	0	-1,220	0	0	0
Impairment losses for the year	0	0	0	0	923
Depreciation for the year	1,538	5,403	0	0	0
Impairment losses and depreciation at 31 December	16,728	50,619	959	2,626	923
Carrying amount at 31 December	58,329	62,567	0	0	30,195
Depreciated over	30-40 years	4-10 years	4-6 years	3-8 years	

Notes to the Financial Statements

	2020 TDKK	2019 TDKK
5 Investments in subsidiaries		
Cost at 1 January	151,657	151,657
Carrying amount at 31 December	151,657	151,657

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
Cost at 31 December	241
Carrying amount at 31 December	241

7 Inventories

Raw materials and consumables	7,829	5,899
Work in progress	589	581
Finished goods and goods for resale	20,917	15,939
	29,335	22,419

Notes to the Financial Statements

	2020 TDKK	2019 TDKK
8 Contract work in progress		
Selling price of work in progress	0	42,231
Payments received on account	0	-22,281
	0	19,950

9 Prepayments

Prepayments consist of prepaid expenses concerning rent and insurance premiums.

10 Equity

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

11 Distribution of profit

Retained earnings	10,941	-13,774
	10,941	-13,774

12 Provision for deferred tax

Provision for deferred tax at 1 January	7,819	12,701
Amounts recognised in the income statement for the year	1,137	-3,492
Adjustment of deggered tax previous years	0	-1,390
Provision for deferred tax at 31 December	8,956	7,819
	8,956	7,819

Notes to the Financial Statements

13 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:

	2020 TDKK	2019 TDKK
Other payables		
Between 1 and 5 years	131,597	127,074
Long-term part	131,597	127,074
Other short-term payables	11,241	8,974
	142,838	136,048

14 Deferred income

15 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	222	115
Between 1 and 5 years	289	144
	511	259
Rental obligations	5,353	8,987

Notes to the Financial Statements

16 Related parties

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

Transactions

The sale of goods to associates amount to DKK 74,995k in 2020. In connection with sales, the Company pays a commission which amounts to DKK 579k.

The Company pays an IT charge to its Parent company, Croda Europe Ltd. The IT charges invoiced by associates amount to DKK 2,090 in 2020.

The Company has in 2020 received an personnel charge from its associates which amounts to DKK 341k.

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

17 Accounting Policies

The Annual Report of Croda Denmark A/S for 2020 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 2020 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

17 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

17 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

17 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	4-10 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

17 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 under the FIFO method and net realisable value.

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

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

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.

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Notes to the Financial Statements

17 Accounting Policies (continued)

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments

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

Equity

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$