



## Schela Plast A/S

Erhvervsvej 2  
6650 Brørup  
CVR No. 49663218

## Annual report 2020

The Annual General Meeting adopted the  
annual report on 10.05.2021

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**Morten Jeppesen**

Chairman of the General Meeting

# Contents

Entity details	2
Statement by Management	3
Independent auditor's extended review report	4
Management commentary	6
Income statement for 2020	8
Balance sheet at 31.12.2020	9
Statement of changes in equity for 2020	11
Cash flow statement for 2020	12
Notes	13
Accounting policies	17

# Entity details

## Entity

Schela Plast A/S

Erhvervsvej 2

6650 Brørup

CVR No.: 49663218

Registered office: Vejen

Financial year: 01.01.2020 - 31.12.2020

## Board of Directors

Morten Jeppesen

Michael Peter Cusick

Helene Elizabeth Roberts

## Executive Board

Morten Jeppesen, adm. dir.

## Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Egtved Allé 4

6000 Kolding

# Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Schela Plast A/S for the financial year 01.01.2020 - 31.12.2020.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2020 and of the results of its operations and cash flows for the financial year 01.01.2020 - 31.12.2020.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Lindknud, 10.05.2021

## Executive Board

**Morten Jeppesen**  
adm. dir.

## Board of Directors

**Morten Jeppesen**

**Michael Peter Cusick**

**Helene Elizabeth Roberts**

# Independent auditor's extended review report

To the shareholders of Schela Plast A/S

## Conclusion

We have performed an extended review of the financial statements of Schela Plast A/S for the financial year 01.01.2020 - 31.12.2020, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Based on our extended review, in our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2020 and of the results of its operations and cash flows for the financial year 01.01.2020 - 31.12.2020 in accordance with the Danish Financial Statements Act.

## Basis for conclusion

We conducted our extended review in accordance with the assurance engagement standard for small enterprises as issued by the Danish Business Authority and the standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act as issued by FSR - Danish Auditors. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the extended review of the financial statements" section. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

## Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditor's responsibilities for the extended review of the financial statements

Our responsibility is to express a conclusion on the financial statements. This requires that we plan and perform procedures to obtain limited assurance about our conclusion on the financial statements and that we also perform specifically required supplementary procedures for the purpose of obtaining additional assurance about our conclusion.

An extended review consists of making inquiries, primarily of management and, if appropriate, of other entity

personnel, performing analytical and the specifically required supplementary procedures as well as evaluating the evidence obtained.

The procedures performed in an extended review are less in scope than in an audit, and accordingly we do not express an audit opinion on the financial statements.

#### **Statement on the management commentary**

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our extended review of the financial statements our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the extended review or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with 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 the management commentary.

Kolding, 10.05.2021

#### **Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR No. 33963556

#### **Lars Ørum Nielsen**

State Authorised Public Accountant  
Identification No (MNE) mne26771

# Management commentary

## Financial highlights

	2020	2019	2018	2017	2016
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
<b>Key figures</b>					
Gross profit/loss	18,512	11,355	10,820	8,465	7,067
Operating profit/loss	8,317	1,939	1,549	74	(2,343)
Net financials	(1,160)	(749)	(606)	(887)	(827)
Profit/loss for the year	5,640	928	737	(651)	(2,461)
Total assets	50,234	42,481	37,683	38,981	42,641
Investments in property, plant and equipment	7,950	10,068	2,085	1,704	7,857
Equity	8,294	13,558	13,166	12,378	12,957
<b>Ratios</b>					
Return on equity (%)	51.62	6.95	5.77	(5.14)	(15.2)
Equity ratio (%)	16.51	31.92	34.94	31.75	30.39

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

### Return on equity (%):

Profit/loss for the year \* 100

Average equity

### Equity ratio (%):

Equity \* 100

Total assets

### Primary activities

The Company's activity consists in the production and sale of extrusion blow moulded packaging.

### Description of material changes in activities and finances

In the financial year, the Company merged with Toft Holding A/S with effect from 01.01.2020.

### Development in activities and finances

Profit for the year amounted to DKK 5,640k, which is significantly higher than last year's profit of DKK 1,194k. The solvency ratio is 16.5%, and there has been a positive cash flow of DKK 7,631k.

Management considers the profit for the year very satisfactory, and it is Management's assessment that the prospects are favourable with expectations of growth in sales and profits in the coming years. One of the reasons for this is the growth in recycled content and renewable plastic products.

### Particular risks

The lockdown of Denmark due to Corona may have a negative consequence in Q1 2021. This same applies to the heavy increase in raw material prices. There is still some negative media publicity about plastic pollution. In the long-term, this might affect the demand for the Company's products. Schela Plast A/S, however, sees this as an opportunity to grow within recycled and renewable plastic products where the Company already offers a range of products and expects significant growth in the coming period. Moreover, the Company has joined "Operation Clean Sweep" whereby Schela Plast A/S commits itself to the objective: No wastage of granulates.

### Environmental performance

Being environmentally conscious, Schela Plast A/S is always working to reduce its environmental impacts. The Company's products exclusively consist of reusable materials. This means that we use practically all our raw materials directly in the production. The waste we cannot grind or regenerate ourselves is resold for recycling. Plastic packaging from Schela Plast A/S is reusable and can be reused for instance for alternative products or energy.

Schela Plast A/S is certified according to the Danish Energy Agency's requirements in the energy area. Accordingly, we follow up systematically on our energy consumption and commit ourselves to implementing energy-saving projects. We have reduced our electricity consumption by 15% since 2015, and our target is a further reduction of 25% in 2021.

### Research and development activities

The Company has no research activities but continuously develops its products in cooperation with the customers.

### Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.



# Income statement for 2020

	Notes	2020 DKK	2019 DKK
<b>Gross profit/loss</b>		<b>18,511,999</b>	<b>11,355,110</b>
Distribution costs		(313,800)	(390,066)
Administrative expenses		(9,881,437)	(9,026,399)
<b>Operating profit/loss</b>		<b>8,316,762</b>	<b>1,938,645</b>
Other financial income	3	0	22,481
Other financial expenses	4	(1,159,707)	(771,855)
<b>Profit/loss before tax</b>		<b>7,157,055</b>	<b>1,189,271</b>
Tax on profit/loss for the year	5	(1,517,047)	(260,947)
<b>Profit/loss for the year</b>		<b>5,640,008</b>	<b>928,324</b>
<b>Proposed distribution of profit and loss</b>			
Ordinary dividend for the financial year		0	900,000
Retained earnings		5,640,008	28,324
<b>Proposed distribution of profit and loss</b>		<b>5,640,008</b>	<b>928,324</b>

# Balance sheet at 31.12.2020

## Assets

	Notes	2020 DKK	2019 DKK
Goodwill		0	0
<b>Intangible assets</b>	6	<b>0</b>	<b>0</b>
Land and buildings		7,720,885	3,038,260
Plant and machinery		4,031,232	3,021,627
Other fixtures and fittings, tools and equipment		13,435,371	16,071,823
<b>Property, plant and equipment</b>	7	<b>25,187,488</b>	<b>22,131,710</b>
Other investments		10,500	0
<b>Financial assets</b>	8	<b>10,500</b>	<b>0</b>
<b>Fixed assets</b>		<b>25,197,988</b>	<b>22,131,710</b>
Raw materials and consumables		4,412,324	3,973,409
Manufactured goods and goods for resale		4,873,674	5,551,365
<b>Inventories</b>		<b>9,285,998</b>	<b>9,524,774</b>
Trade receivables		9,033,663	8,678,313
Receivables from group enterprises		0	916,862
Deferred tax		325,809	133,634
Other receivables		958,025	852,370
Prepayments		227,441	178,263
<b>Receivables</b>		<b>10,544,938</b>	<b>10,759,442</b>
<b>Cash</b>		<b>5,204,773</b>	<b>64,801</b>
<b>Current assets</b>		<b>25,035,709</b>	<b>20,349,017</b>
<b>Assets</b>		<b>50,233,697</b>	<b>42,480,727</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2020 DKK</b>	<b>2019 DKK</b>
Contributed capital		1,200,000	1,100,000
Retained earnings		7,093,513	11,557,876
Proposed dividend		0	900,000
<b>Equity</b>		<b>8,293,513</b>	<b>13,557,876</b>
Mortgage debt		8,250,154	3,933,660
Lease liabilities		11,037,423	13,591,532
Other payables		729,004	253,312
<b>Non-current liabilities other than provisions</b>	<b>9</b>	<b>20,016,581</b>	<b>17,778,504</b>
Current portion of non-current liabilities other than provisions	9	2,974,943	2,822,103
Bank loans		34,630	2,526,033
Trade payables		5,557,348	4,006,917
Payables to associates		9,360,975	0
Payables to shareholders and management		42,518	0
Income tax payable		950,881	0
Other payables	10	3,002,308	1,789,294
<b>Current liabilities other than provisions</b>		<b>21,923,603</b>	<b>11,144,347</b>
<b>Liabilities other than provisions</b>		<b>41,940,184</b>	<b>28,922,851</b>
<b>Equity and liabilities</b>		<b>50,233,697</b>	<b>42,480,727</b>
Staff costs	1		
Amortisation, depreciation and impairment losses	2		
Unrecognised rental and lease commitments	12		
Assets charged and collateral	13		

# Statement of changes in equity for 2020

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	1,100,000	11,557,876	900,000	13,557,876
Effect of mergers and business combinations	0	(10,177,703)	0	(10,177,703)
Increase of capital	100,000	0	0	100,000
Ordinary dividend paid	0	0	(900,000)	(900,000)
Other entries on equity	0	73,332	0	73,332
Profit/loss for the year	0	5,640,008	0	5,640,008
<b>Equity end of year</b>	<b>1,200,000</b>	<b>7,093,513</b>	<b>0</b>	<b>8,293,513</b>

With effect from 01.01.2020, the Company merged with Toft Holding A/S (previous parent) with Schela Plast A/S as the surviving company. The effect of the merger is included in the statement of changes in equity in the line Effect of acquisition, etc.

# Cash flow statement for 2020

	Notes	2020 DKK	2019 DKK
Operating profit/loss		8,316,762	1,938,645
Amortisation, depreciation and impairment losses		4,894,045	4,462,586
Working capital changes	11	2,592,687	(546,258)
<b>Cash flow from ordinary operating activities</b>		<b>15,803,494</b>	<b>5,854,973</b>
Financial income received		0	22,481
Financial expenses paid		(1,159,707)	(771,855)
Taxes refunded/(paid)		(557,329)	17,895
<b>Cash flows from operating activities</b>		<b>14,086,458</b>	<b>5,123,494</b>
Acquisition etc of property, plant and equipment		(7,949,822)	(10,067,992)
Other cash flows from investing activities		3,819	0
<b>Cash flows from investing activities</b>		<b>(7,946,003)</b>	<b>(10,067,992)</b>
<b>Free cash flows generated from operations and investments before financing</b>		<b>6,140,455</b>	<b>(4,944,498)</b>
Loans raised		9,355,692	7,916,480
Repayments of loans etc		(6,964,772)	(1,958,117)
Dividend paid		(900,000)	(600,000)
<b>Cash flows from financing activities</b>		<b>1,490,920</b>	<b>5,358,363</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>7,631,375</b>	<b>413,865</b>
Cash and cash equivalents beginning of year		(2,461,232)	(2,875,097)
<b>Cash and cash equivalents end of year</b>		<b>5,170,143</b>	<b>(2,461,232)</b>
Cash and cash equivalents at year-end are composed of:			
Cash		5,204,773	64,801
Short-term debt to banks		(34,630)	(2,526,033)
<b>Cash and cash equivalents end of year</b>		<b>5,170,143</b>	<b>(2,461,232)</b>

# Notes

## 1 Staff costs

	<b>2020</b>	<b>2019</b>
	<b>DKK</b>	<b>DKK</b>
Wages and salaries	17,116,518	13,410,004
Pension costs	2,287,684	1,773,963
Other social security costs	271,057	280,104
Other staff costs	391,599	336,297
	<b>20,066,858</b>	<b>15,800,368</b>
Average number of full-time employees	42	39

## 2 Depreciation, amortisation and impairment losses

	<b>2020</b>	<b>2019</b>
	<b>DKK</b>	<b>DKK</b>
Depreciation of property, plant and equipment	4,894,045	4,462,586
Profit/loss from sale of intangible assets and property, plant and equipment	0	(44,900)
	<b>4,894,045</b>	<b>4,417,686</b>

## 3 Other financial income

	<b>2020</b>	<b>2019</b>
	<b>DKK</b>	<b>DKK</b>
Financial income from group enterprises	0	22,481
	<b>0</b>	<b>22,481</b>

## 4 Other financial expenses

	<b>2020</b>	<b>2019</b>
	<b>DKK</b>	<b>DKK</b>
Financial expenses from associates	276,000	0
Other interest expenses	855,744	768,106
Exchange rate adjustments	15,347	3,749
Other financial expenses	12,616	0
	<b>1,159,707</b>	<b>771,855</b>

## 5 Tax on profit/loss for the year

	2020 DKK	2019 DKK
Current tax	1,430,197	0
Change in deferred tax	86,850	260,947
	<b>1,517,047</b>	<b>260,947</b>

## 6 Intangible assets

	Goodwill DKK
Cost beginning of year	500,000
<b>Cost end of year</b>	<b>500,000</b>
Amortisation and impairment losses beginning of year	(500,000)
<b>Amortisation and impairment losses end of year</b>	<b>(500,000)</b>
<b>Carrying amount end of year</b>	<b>0</b>

## 7 Property, plant and equipment

	Land and buildings DKK	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK
Cost beginning of year	21,730,860	36,218,794	26,536,887
Additions	5,642,947	2,223,952	82,923
<b>Cost end of year</b>	<b>27,373,807</b>	<b>38,442,746</b>	<b>26,619,810</b>
Depreciation and impairment losses beginning of year	(18,692,599)	(33,197,167)	(10,465,064)
Depreciation for the year	(960,323)	(1,214,347)	(2,719,375)
<b>Depreciation and impairment losses end of year</b>	<b>(19,652,922)</b>	<b>(34,411,514)</b>	<b>(13,184,439)</b>
<b>Carrying amount end of year</b>	<b>7,720,885</b>	<b>4,031,232</b>	<b>13,435,371</b>
Recognised assets not owned by entity	0	0	12,918,063

## 8 Financial assets

	Other investments DKK
Addition through business combinations etc	10,500
<b>Cost end of year</b>	<b>10,500</b>
<b>Carrying amount end of year</b>	<b>10,500</b>

## 9 Non-current liabilities other than provisions

	Due within 12 months 2020 DKK	Due within 12 months 2019 DKK	Due after more than 12 months 2020 DKK	Outstanding after 5 years 2020 DKK
Mortgage debt	416,831	357,196	8,250,154	6,553,623
Lease liabilities	2,558,112	2,464,907	11,037,423	2,789,919
Other payables	0	0	729,004	0
	<b>2,974,943</b>	<b>2,822,103</b>	<b>20,016,581</b>	<b>9,343,542</b>

## 10 Other payables

	2020 DKK	2019 DKK
VAT and duties	395,170	226,646
Wages and salaries, personal income taxes, social security costs, etc payable	1,990,308	532,368
Holiday pay obligation	566,635	774,889
Derivative financial instruments	0	215,362
Other costs payable	50,195	40,029
	<b>3,002,308</b>	<b>1,789,294</b>

## 11 Changes in working capital

	2020 DKK	2019 DKK
Increase/decrease in inventories	238,776	2,214,044
Increase/decrease in receivables	4,029,728	(1,685,709)
Increase/decrease in trade payables etc	(1,769,833)	(1,138,038)
Other changes	94,016	63,445
	<b>2,592,687</b>	<b>(546,258)</b>

## 12 Unrecognised rental and lease commitments

	2020 DKK	2019 DKK
Liabilities under rental or lease agreements until maturity in total	321,489	175,082



### **13 Assets charged and collateral**

Mortgage debt is secured by way of mortgage on properties.

The carrying amount of mortgaged properties is t.DKK 7.721.

A company charge of DKK 7m has been provided as security for bank debt.

The company charge comprises production plant, other operating equipment (except for leased assets), inventories as well as trade receivables. The value at 31.12.2020 is DKK 22,868k.

In connection with the construction of a new warehouse, the usual guarantees have been provided to the mortgage credit institution and contractor.

# Accounting policies

## Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

## Non-comparability

In the financial year, the Company merged with Toft Holding A/S with effect from 01.01.2020. The merger was conducted using the book-value method, and therefore the comparative figures for 2019 have not been restated.

## Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

## Business combinations

The uniting-of-interests method is applied on mergers where the enterprises concerned are controlled by the Parent, under which method the combination is considered completed at the date of acquisition without restatement of comparative figures. Under the uniting-of-interests method, the acquiree's assets and liabilities are recognised at their carrying amounts, adjusted for any differences in accounting policies and accounting estimates. The difference between the consideration agreed and the carrying amount of the acquiree is recognised in equity.

## Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

## **Income statement**

### **Gross profit or loss**

Gross profit or loss comprises revenue, production costs and other operating income.

### **Revenue**

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

### **Production costs**

Production: Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

### **Cost of sales**

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

### **Distribution costs**

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment involved in the distribution process.

### **Administrative expenses**

Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

### **Other operating income**

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

### **Other financial income**

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

### **Other financial expenses**

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

**Tax on profit/loss for the year**

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

**Balance sheet****Goodwill**

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For other amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 5 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

**Property, plant and equipment**

Land and buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	10-25 years
Plant and machinery	3-10 years
Other fixtures and fittings, tools and equipment	3-10 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

**Other investments**

Other investments comprise unlisted equity investments measured at the lower of cost and net realisable value.

**Inventories**

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

**Receivables**

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

**Deferred tax**

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

**Prepayments**

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

**Cash**

Cash comprises cash in hand and bank deposits.

**Dividend**

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

**Mortgage debt**

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

**Lease liabilities**

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

**Operating leases**

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

**Other financial liabilities**

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

**Tax receivable or payable**

Current tax receivable or payable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

**Cash flow statement**

The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash less short-term bank loans.