Deloitte.

Scan-Speak A/S

N C Madsensvej 1, 6920 Videbæk
CVR No. 70977311

Annual report 2019

The Annual General Meeting adopted the annual report on 10.02.2020

Colleen Lois Hallam
Chairman of the General Meeting

Contents

Entity details

Entity

Scan-Speak A/S

N C Madsensvej 1

6920 Videbæk

CVR No.: 70977311

Registered office: Ringkøbing-Skjern

Financial year: 01.01.2019 - 31.12.2019

Board of Directors

Jenq-Lin Liou, Chairman

Chiou-Shiang Teng

Colleen Lois Hallam

Tung-Yi Chang

Executive Board

Colleen Lois Hallam

Bank

Den Jyske Sparekasse

Østergade 1

7430 Ikast

Attorney

Spektrum Advokaterne

Poulsgade 6-8

7400 Herning

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Papirfabrikken 26

8600 Silkeborg

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Scan-Speak A/S for the financial year 01.01.2019 - 31.12.2019.

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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

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.

Videbæk, 10.02.2020

Executive Board

Colleen Lois Hallam

Board of Directors

Jenq-Lin Liou
Chairman

Chiou-Shiang Teng

Colleen Lois Hallam

Tung-Yi Chang

Independent auditor's report

To the shareholders of Scan-Speak A/S

Opinion

We have audited the financial statements of Scan-Speak A/S for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared 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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of 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, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements 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 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 Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity'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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on 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 audit 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 audit 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 the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Silkeborg, 10.02.2020

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No.: 33963556

Peter Mølkjær
State Authorised Public Accountant
Identification No (MNE) 24821

Jens-Ole Bøgild
State Authorised Public Accountant
Identification No (MNE) 30127

Management commentary

Primary activities
As in previous years, the Company’s main activity comprises development, production and sale of quality loudspeaker units.

Development in activities and finances
This year the Company continued to maintain its market share in the high-end loudspeaker segment that it has historically sold into.

The Company's 2019 sales were impacted by the general market uncertainty caused by the US-China trade war and Brexit which resulted in the Company finishing up short of its revenue budget goals. However, with the help of a price increase, along with carefully managed operational costs and the mix of products sold, the Company ended the year in a profitable position.

In 2019, a significant investment was made in replacing the Company's material-machining equipment. When fully incorporated, the equipment will enable the Company to manufacture most of its prototype parts in-house, allowing development projects to be completed faster.

As in 2018, the Company faced some challenges this year with respect to health issues relating to some key employees, but by entering into temporary assistance agreements with qualified personnel during peak periods, the impact on the Company´s operations has been minimal.

From a financial standpoint, the Company is more stable than in previous years. Its cash flow has improved significantly and is no longer the challenge it was in prior years. Careful management of the Company´s costs along with the commitment from the Eastech Group that the Company may use all its profits to re-invest in the Company, will provide continued improvement.

The Company has good support from both its bank and factoring company. The bank and factoring lines are sufficient for the Company´s operations.

The Company operates in a long-established stable market with few opportunities for an increase in sales volume or market share in the long term. Thus, it is crucial that the Company strive to maintain its market share to ensure continued success and each of the strategic moves taken this year were done with that goal in mind.

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 2019

	Notes	2019 DKK	2018 DKK
Gross profit/loss		**10,359,653**	**11,704,444**
Research and development costs		(1,812,908)	(1,907,417)
Distribution costs		(2,152,137)	(2,305,637)
Administrative expenses		(4,375,314)	(4,586,275)
Operating profit/loss		**2,019,294**	**2,905,115**
Other financial income		83,669	16,930
Other financial expenses		(520,697)	(445,558)
Profit/loss before tax		**1,582,266**	**2,476,487**
Tax on profit/loss for the year	2	(322,774)	(535,363)
Profit/loss for the year		**1,259,492**	**1,941,124**
Proposed distribution of profit and loss			
Retained earnings		1,259,492	1,941,124
Proposed distribution of profit and loss		**1,259,492**	**1,941,124**

Balance sheet at 31.12.2019

Assets

	Notes	2019 DKK	2018 DKK
Completed development projects	4	2,262,474	2,995,808
Acquired intangible assets		1,130,692	1,547,385
Acquired patents		57,905	66,587
Acquired trademarks		330,240	404,269
Goodwill		0	76,085
Development projects in progress	4	1,231,596	752,351
Intangible assets	3	**5,012,907**	**5,842,485**
Land and buildings		2,071,923	0
Plant and machinery		3,991,822	2,750,480
Other fixtures and fittings, tools and equipment		321,844	254,170
Leasehold improvements		0	144,747
Property, plant and equipment in progress		931,074	292,514
Property, plant and equipment	5	**7,316,663**	**3,441,911**
Fixed assets		**12,329,570**	**9,284,396**
Raw materials and consumables		9,062,037	8,036,157
Work in progress		2,072,807	2,097,152
Manufactured goods and goods for resale		2,214,851	2,044,203
Inventories		**13,349,695**	**12,177,512**
Trade receivables		3,651,187	4,910,981
Other receivables		485,739	257,596
Prepayments		393,071	411,799
Receivables		**4,529,997**	**5,580,376**
Cash		**704,481**	**86,432**
Current assets		**18,584,173**	**17,844,320**
Assets		**30,913,743**	**27,128,716**

Equity and liabilities

	Notes	2019 DKK	2018 DKK
Contributed capital		1,320,045	1,320,045
Reserve for development expenditure		2,597,258	2,327,447
Retained earnings		10,090,508	9,100,827
Equity		**14,007,811**	**12,748,319**
Deferred tax	6	1,841,000	1,921,000
Provisions		**1,841,000**	**1,921,000**
Bank loans		2,165,078	1,577,340
Finance lease liabilities		1,382,198	0
Other payables		655,159	0
Non-current liabilities other than provisions	7	**4,202,435**	**1,577,340**
Current portion of non-current liabilities other than provisions	7	2,097,198	996,782
Bank loans		4,008,338	3,966,146
Prepayments received from customers		131,211	351,478
Trade payables		2,053,763	1,897,513
Income tax payable		402,776	815,916
Other payables	8	2,169,211	2,854,222
Current liabilities other than provisions		**10,862,497**	**10,882,057**
Liabilities other than provisions		**15,064,932**	**12,459,397**
Equity and liabilities		**30,913,743**	**27,128,716**
Staff costs	1		
Contingent liabilities	9		
Assets charged and collateral	10		
Group relations	11		

Statement of changes in equity for 2019

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	1,320,045	2,327,447	9,100,827	12,748,319
Transfer to reserves	0	269,811	(269,811)	0
Profit/loss for the year	0	0	1,259,492	1,259,492
Equity end of year	**1,320,045**	**2,597,258**	**10,090,508**	**14,007,811**

The share capital consists of 1.320.045 shares of a nominal value of DKK 1. No shares carry any special rights.

Notes

1 Staff costs

Average number of employees 41 (2019) and 41 (2018).

2 Tax on profit/loss for the year

	2019 DKK	2018 DKK
Current tax	402,776	815,916
Change in deferred tax	(80,000)	(278,000)
Adjustment concerning previous years	(2)	(2,553)
	322,774	**535,363**

3 Intangible assets

	Completed development projects DKK	Acquired intangible assets DKK	Acquired patents DKK	Acquired trademarks DKK	Goodwill DKK
Cost beginning of year	7,894,963	2,020,677	134,287	625,703	3,043,382
Transfers	266,845	0	0	0	0
Additions	395,431	0	0	4,420	0
Disposals	(276,495)	0	0	0	0
Cost end of year	**8,280,744**	**2,020,677**	**134,287**	**630,123**	**3,043,382**
Amortisation and impairment losses beginning of year	(4,899,155)	(473,292)	(67,700)	(221,434)	(2,967,297)
Amortisation for the year	(1,395,610)	(416,693)	(8,682)	(78,449)	(76,085)
Reversal regarding disposals	276,495	0	0	0	0
Amortisation and impairment losses end of year	**(6,018,270)**	**(889,985)**	**(76,382)**	**(299,883)**	**(3,043,382)**
Carrying amount end of year	**2,262,474**	**1,130,692**	**57,905**	**330,240**	**0**

	Development projects in progress DKK
Cost beginning of year	752,351
Transfers	(266,845)
Additions	746,090
Disposals	0
Cost end of year	**1,231,596**
Amortisation and impairment losses beginning of year	0
Amortisation for the year	0
Reversal regarding disposals	0
Amortisation and impairment losses end of year	**0**
Carrying amount end of year	**1,231,596**

4 Development projects

The Company's development projects consist of a number of customised projects for which the completed project has already been or is expected to be commercially used within a period of 1 to 2 years. The commercial use takes place through the sale of products based on development projects to OEM customers in the high-end audio market.

5 Property, plant and equipment

	Land and buildings DKK	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK	Property, plant and equipment in progress DKK
Cost beginning of year	0	9,539,195	1,586,843	463,861	292,514
Changes in accounting policies	3,772,320	0	145,572	(463,861)	0
Transfers	0	777,449	0	0	(777,449)
Additions	0	1,419,333	243,813	0	1,416,009
Disposals	0	(67,461)	(145,572)	0	0
Cost end of year	**3,772,320**	**11,668,516**	**1,830,656**	**0**	**931,074**
Depreciation and impairment losses beginning of year	0	(6,788,715)	(1,332,673)	(319,114)	0
Changes in accounting policies	(319,114)	0	0	319,114	0
Depreciation for the year	(1,381,283)	(955,440)	(219,807)	0	0
Reversal regarding disposals	0	67,461	43,668	0	0
Depreciation and impairment losses end of year	**(1,700,397)**	**(7,676,694)**	**(1,508,812)**	**0**	**0**
Carrying amount end of year	**2,071,923**	**3,991,822**	**321,844**	**0**	**931,074**
Recognised assets not owned by entity	1,985,075		227,414		

6 Deferred tax

	2019 DKK	2018 DKK
Intangible assets	1,102,000	1,285,000
Property, plant and equipment	22,000	(16,000)
Inventories	686,000	616,000
Liabilities other than provisions	31,000	36,000
Deferred tax	**1,841,000**	**1,921,000**

Changes during the year	DKK	2018 DKK
Beginning of year	1,921,000	2,199,000
Recognised in the income statement	(80,000)	(278,000)
End of year	**1,841,000**	**1,921,000**

7 Non-current liabilities other than provisions

	Due within 12 months 2019 DKK	Due within 12 months 2018 DKK	Due after more than 12 months 2019 DKK
Bank loans	1,219,962	996,782	2,165,078
Finance lease liabilities	877,236	0	1,382,198
Other payables	0	0	655,159
	2,097,198	**996,782**	**4,202,435**

There are no liabilities with due after more than 5 years.

8 Other payables

	2019 DKK	2018 DKK
Wages and salaries, personal income taxes, social security costs, etc payable	2,052,107	2,649,434
Other costs payable	117,104	204,788
	2,169,211	**2,854,222**

9 Contingent liabilities

There are provided usual warranties on products.

10 Assets charged and collateral

Bank debt is secured by way of a letter of indemnity of DKK 10.500.000 nominal from the company's owner, Eastern Asia Technology (HK) Limited and company's mortgage deed of DKK 9.900.000 nominal, providing security in goodwill and over other fixtures and fittings, tools and equipment.

Bank debt is secured by way of a letter of indemnity of DKK 13.500.000 providing a floating charge in inventories, goodwill, over other fixtures and fittings, tools and equipment and rights under section 47c under the Danish Land Registration Act.

Factoring credit is secured by carrying amount of trade receivables and a negative pledge has been registered in respect of unsecured claims from the sale of goods and services.

11 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Eastech Holding Limited, Cayman Island

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 except for the below mentioned changes.

The annual report is presented in DKK.

Changes in accounting policies

The company has opted to change the accounting policies for the recognition of leases.

In order to better obtain a true and fair view of the company's assets, liabilities and results, leases are recognised with effect from 1. January 2019 in accordance with the principles of the International Accounting standard IFRS 16 Leasing. IFRS 16 does not distinguish between operational and financial leasing, but requires that a lease asset (right-of-use asset/entitlement to an asset) and a leasing obligation be recognised for the conclusion of all leases, with the exception of Lease agreements with a maturity of less than 12 months (short-term leases) and contracts relating to the leasing of low value assets.

The effect of the new definition of a lease agreement

IFRS 16 amends the definition of a lease agreement, mainly concerning the concept of control. According to IFRS 16, the assessment of whether an agreement contains a leasing element must be made of whether the company has the right to control the use of an identified asset over a period of time against payment of remuneration. Before, the assessment was based on whether the company has all the significant risks and benefits associated with the ownership of an identified asset.

Application of transitional provisions

In accordance with the transitional provisions of the Annual Accounts Act last years figures are not adjusted and the cumulative effect of the changeover is recognised in equity at the beginning of the financial year. The change only covers leasing agreements that extend into the current fiscal year.

In addition, the following transitional provisions of IFRS 16 are applied:
For contracts previously classified as operational leasing, the following shall apply:

- Leasing liabilities are calculated at the present value of the remaining lease payments discounted with the company's marginal borrowing rate at the time of implementation 1. January 2019. The discount rate is aggregated for portfolios of leasing agreements with similar characteristics.
- Leasing assets are calculated on the basis of the accrued leasing liabilities corrected for prepaid or leasing payments due.
- Leasing assets are written down for recoverable value if this is lower than the accounting value of the leasing asset.

Changes in accounting policies resulting from the application of IFRS 16 for interpretation
Leasing contracts previously classified as operational
The application of IFRS 16 modifies the accounting treatment of leases that were previously classified as operating leases and therefore were not recognised in the balance sheet. Leasing services relating to operating leases were previously recognised in a linear manner in the profit and loss as "cost of production" and "administrative costs" over the lease period.

For all lease agreements:
a) Leasing and lease liabilities are recognised in the balance sheet, measured for the first time to the present value of future leasing payments.
b) Recognised depreciation and write-downs of leasing assets and interest on leasing liabilities in the income statement.

If the lease contains elements that are not leasing (e.g. a service contract on the leased assets), these are separated from the lease payment, based on the individual sales prices of the items, and are recognised separately.

Leasing assets shall be written down for recoverable value if this is lower than the carrying amount. This replaces the previous requirement to recognise a provision for loss-making leasing contracts.

Monetary impact of practice change
The practice change leads to a reduction in Cost of production by DKK 97k, an increase in administrative expenses by DKK 15k and an increase in interest costs by DKK 133k. The cumulative effect of the practice change represents a reduction of the profit before tax for the year by DKK 51k. The year's tax on the practice change, which consists of the adjustment of deferred tax, amounts to DKK 11k, after which the year's profit after tax is reduced by DKK 40k. The balance sheet total is increased by DKK 2.212k., while the equity per 31.12.2019 is reduced by DKK 40k.

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.

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 is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the annual report.

Production costs

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 standard cost.

Research and development costs

Research and development costs comprise research costs, costs of development projects that do not meet the criteria for recognition in the balance sheet.

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.

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 financial income

Other financial income comprises interest income, etc.

Other financial expenses
Other financial expenses comprise interest expenses, 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 amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. The 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 10 years.

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

Intellectual property rights etc
Intellectual property rights etc is comprised of development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and indirect production costs that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. The amortisation periods used are 4-8 years. Development projects are written down to the lower of recoverable amount and carrying amount.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents and Trademarks are amortised on a straight-line basis over their remaining duration, but no more than 20 years.

Intellectual property rights etc are 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.

See separate section for recognition and measurement of leasing assets.

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	40 years
Plant and machinery	3-5 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	Contract period

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.

Leasing assets
Leasing assets shall be measured at initial recognition to an amount equal to the sum of the accumulated leasing obligation, payments made before the start of the lease period, minus the incentive benefits from the lessor, and direct costs incurred in connection with the conclusion of the lease agreement.

Expected costs for the decommissioning or disposal of leasing assets or the restoration of the underlying assets are recognised as a separate provision. Costs shall be attributed to the cost of the leasing assets unless the obligation arises as a result of the production of inventories where the cost is included in the cost of the produced goods. Leasing assets are subsequently measured at cost less depreciation and amortisation.

Leasing assets are depreciated over the lease term or the useful life of the underlying assets if they are shorter. For leases where the ownership of leasing assets is transferred at maturity or a purchase option is expected to be used, the lease assets are depreciated over the period of use of the leasing assets. Depreciation starts at the start of the lease period.

Leasing assets are written down if the value is lower than the carrying amount.

Leasing assets are regulated by remeasurement of lease liabilities as defined in the section "Leasing liabilities".

Leasing assets are recognised under fixed assets in the items to which the underlying assets of the leasing agreements would be presented if they were owned by the company.

Inventories
Inventories are measured at the lower of standard cost 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 on 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 in the process of normal operations. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales sum.

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

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years, e.g. insurance premiums and subscriptions, etc. Prepayments are measured at cost.

Cash
Cash comprises cash in hand and bank deposits.

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.

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.

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 deferred tax is expected to crystallise as current tax. Any change in deferred tax due to change to tax rates are recognised in the income statement.

Leasing liabilities
Leasing liabilities are measured at initial recognition to the present value of the leasing payments not paid at the beginning of the lease period, discounted with the internal rate of the lease agreement. If this rate cannot be determined, the company's marginal borrowing rate is applied.

Leasing services included in the measurement of leasing liabilities include:
- Fixed lease payments less incentive benefits from the lessor to the lessee.
- Variable lease payments based on an index or a percentage. On initial recognition of the commitment, this is measured on the basis of the index or percentage at the start of the lease period.
- The amount that is expected to be paid according to residual value guarantees.
- The exercise price for purchase options, if utilisation of the option is considered reasonably secure.
- The price for the use of option on early termination of the lease agreement if the lease period reflects the expected utilisation of the option.

Variable lease payments, which do not depend on an index or a percentage, are recognised in the income statement in the accounting records "cost of production" or "administrative costs" in the period during which the event or relationship triggering the payments in question occurs.

In subsequent measurement, the lease obligations for accrued interest and repayments are adjusted based on the effective interest method.

Lease liabilities are remeasured and an equivalent adjustment is made to the related leasing assets when:

- The lease period is changed, for example as a result of a change in the assessment of whether an extension option or a purchase option will be used. Remeasurement is done by discounting the changed lease payments with a discount rate that is updated at the time of the lease agreement change.
- Lease payments are modified as a result of changes in indices or percentages or in the expected payment according to a residual value guarantee. Remeasurement is done by discounting the changed lease payments at the initial discount rate, however, an updated discount rate is applied if the change is due to a change in the variable interest rate.
- There is a modification of the lease agreement which will not be accounted for as a separate lease agreement. The remeasurement is by discounting the changed lease payments by applying an updated discount rate.

If the remeasurement results in a reduction of a leasing obligation exceeding the book value of the related lease asset, the excess amount is recognised in the income statement.

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

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Income 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.