
Skiold Landmeco A/S

Haulundvej 16, DK-6870 Ølgod

Annual Report for 1 January - 31 December 2021

CVR No 89 52 41 13

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
28/6 2022

Rasmus Sandorff Jacobsen
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 Skiold Landmeco A/S for the financial year 1 January - 31 December 2021.

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

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

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

Ølgod, 10 June 2022

Executive Board

Anders Kristian Andersen

Board of Directors

Søren Sandholm Overgaard
Chairman

Henrik Hilbert Overbye

Rasmus Sandorff Jacobsen

Independent Auditor's Report

To the Shareholder of Skiold Landmeco A/S

Opinion

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

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

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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.

Independent Auditor's Report

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.
- 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.

Independent Auditor's Report

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.

Herning, 10 June 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Poul Spencer Poulsen

statsautoriseret revisor

mne23324

Hans Jørgen Andersen

statsautoriseret revisor

mne30211

Company Information

The Company

Skiold Landmeco A/S
Haulundvej 16
DK-6870 Ølgod

Telephone: + 45 75 24 55 11

CVR No: 89 52 41 13

Financial period: 1 January - 31 December

Municipality of reg. office: Varde

Board of Directors

Søren Sandholm Overgaard, Chairman
Henrik Hilbert Overbye
Rasmus Sandorff Jacobsen

Executive Board

Anders Kristian Andersen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Platanvej 4
DK-7400 Herning

Financial Highlights

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

	2021 TDKK	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK
Key figures					
Profit/loss					
Operating profit/loss	25.163	14.716	6.102	10.887	8.763
Net financials	118	-312	-499	-455	-442
Net profit/loss for the year	19.712	11.221	4.337	8.080	6.433
Balance sheet					
Balance sheet total	98.817	76.903	61.292	56.843	51.466
Equity	48.002	44.690	33.469	29.132	25.552
Investment in property, plant and equipment	2.586	2.148	5.865	-239	2.179
Number of employees	34	33	39	38	33
Ratios					
Return on assets	25,5%	19,1%	10,0%	19,2%	17,0%
Solvency ratio	48,6%	58,1%	54,6%	51,2%	49,6%
Return on equity	42,5%	28,7%	13,9%	29,6%	27,6%

Management's Review

Key activities

The company's activities are the manufacture and sale of mechanical equipment for poultry farming and industry.

Development in the year

In 2021 the Company realised positive organic growth as a result of its previously implemented strategic initiatives. The Companies's most important geographic markets benefitted from higher poultry prices, but were however at the same time impacted negatively by the COVID-19 related work- and travel restrictions.

The income statement of the Company shows a profit of TDKK 19,712 with a total equity of TDKK 48,002.

Operating risks

The Company is exposed to the developments in global steel and polymer prices, as these affect the investment appetite of the Company's customers and the Company's material costs.

Foreign exchange risks

Currency risk is balanced by selling and buying in the same currency, and occasionally by use of financial instruments for fixed contracts. The Company trades in DKK or EUR.

Targets and expectations for the year ahead

The outlook for 2022 is positive due to the expected benefit of strategic and operational activities implemented in 2021, hereunder increase in activity in several newer markets that will contribute positively to the company's earnings.

However, the war in Ukraine and the global uncertainty from this could impact the Company's performance due to scarcity and increased prices on raw materials.

Research and development

To maintain a strong position the Company continually invests in both product development and our people so as to maintain its knowledge leadership.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	2021 TDKK	2020 TDKK
Gross profit/loss		49.226	36.165
Staff expenses	1	-22.180	-19.807
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-1.883	-1.642
Profit/loss before financial income and expenses		25.163	14.716
Financial income	3	351	4
Financial expenses	4	-233	-316
Profit/loss before tax		25.281	14.404
Tax on profit/loss for the year	5	-5.569	-3.183
Net profit/loss for the year		19.712	11.221
 Proposed distribution of profit			
Proposed dividend for the year		15.250	16.400
Retained earnings		4.462	-5.179
		19.712	11.221

Balance Sheet 31 December

Assets

	Note	2021 TDKK	2020 TDKK
Acquired patents		125	167
Development projects in progress		1.282	0
Intangible assets	6	1.407	167
Land and buildings		23.965	23.667
Plant and machinery		1.656	2.026
Other fixtures and fittings, tools and equipment		1.839	2.503
Property, plant and equipment in progress		1.482	0
Property, plant and equipment	7	28.942	28.196
Other investments		25	25
Fixed asset investments	8	25	25
Fixed assets		30.374	28.388
Inventories	9	38.043	26.466
Trade receivables		6.708	3.590
Receivables from group enterprises		15.275	17.560
Other receivables		672	577
Prepayments	10	108	99
Receivables		22.763	21.826
Current asset investments	11	8	8
Cash at bank and in hand		7.629	215
Currents assets		68.443	48.515
Assets		98.817	76.903

Balance Sheet 31 December

Liabilities and equity

	Note	2021 TDKK	2020 TDKK
Share capital		2.000	2.000
Reserve for development costs		1.000	0
Retained earnings		29.752	26.290
Proposed dividend for the year		15.250	16.400
Equity		48.002	44.690
Provision for deferred tax	13	1.313	1.145
Provisions		1.313	1.145
Mortgage loans		3.709	4.159
Lease obligations		117	144
Other payables		849	836
Long-term debt	14	4.675	5.139
Mortgage loans	14	450	450
Credit institutions		0	85
Lease obligations	14	58	87
Prepayments received from customers		11.897	5.152
Trade payables		19.559	11.645
Payables to group enterprises		2.500	2.567
Corporation tax		5.401	3.282
Other payables	14	4.962	2.661
Short-term debt		44.827	25.929
Debt		49.502	31.068
Liabilities and equity		98.817	76.903
Distribution of profit	12		
Contingent assets, liabilities and other financial obligations	15		
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Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	2.000	0	26.290	16.400	44.690
Ordinary dividend paid	0	0	0	-16.400	-16.400
Development costs for the year	0	1.000	-1.000	0	0
Net profit/loss for the year	0	0	4.462	15.250	19.712
Equity at 31 December	2.000	1.000	29.752	15.250	48.002

Notes to the Financial Statements

	<u>2021</u>	<u>2020</u>
	TDKK	TDKK
1 Staff expenses		
Wages and salaries	19.007	16.857
Pensions	2.187	1.996
Other social security expenses	224	151
Other staff expenses	762	803
	<u>22.180</u>	<u>19.807</u>
Average number of employees	<u>34</u>	<u>33</u>
<p>Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.</p>		
2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Amortisation of intangible assets	42	42
Depreciation of property, plant and equipment	1.761	1.586
Gain and loss on disposal	80	14
	<u>1.883</u>	<u>1.642</u>
3 Financial income		
Interest received from group enterprises	350	0
Other financial income	1	4
	<u>351</u>	<u>4</u>
4 Financial expenses		
Interest paid to group enterprises	0	99
Other financial expenses	233	217
	<u>233</u>	<u>316</u>

Notes to the Financial Statements

	2021 <u>TDKK</u>	2020 <u>TDKK</u>
5 Tax on profit/loss for the year		
Current tax for the year	5.401	3.282
Deferred tax for the year	168	-99
	<u>5.569</u>	<u>3.183</u>
 6 Intangible assets		
	Acquired pa- tents <u>TDKK</u>	Development projects in progress <u>TDKK</u>
Cost at 1 January	209	0
Additions for the year	<u>0</u>	<u>1.282</u>
Cost at 31 December	<u>209</u>	<u>1.282</u>
Impairment losses and amortisation at 1 January	42	0
Amortisation for the year	<u>42</u>	<u>0</u>
Impairment losses and amortisation at 31 December	<u>84</u>	<u>0</u>
 Carrying amount at 31 December	<u>125</u>	<u>1.282</u>

Development project relates to the development of a rearing system to comply with EU Regulation 2018/848 and EU Regulation 2020/464.

The project is expected to be completed in 2022. The project is progressing according to plan through the use of resources allocated by Management to the development.

The rearing system is expected to be sold in the present markets to the Company's existing customers but complying with the new legislation. Throughout the development process, the Company inquired its customers as to the need for this rearing system, which was well received.

Notes to the Financial Statements

7 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	26.500	16.648	5.827	0
Additions for the year	776	396	0	1.482
Disposals for the year	0	-510	0	0
Cost at 31 December	<u>27.276</u>	<u>16.534</u>	<u>5.827</u>	<u>1.482</u>
Impairment losses and depreciation at 1 January	2.833	14.623	3.324	0
Depreciation for the year	478	619	664	0
Reversal of impairment and depreciation of sold assets	0	-364	0	0
Impairment losses and depreciation at 31 December	<u>3.311</u>	<u>14.878</u>	<u>3.988</u>	<u>0</u>
Carrying amount at 31 December	<u>23.965</u>	<u>1.656</u>	<u>1.839</u>	<u>1.482</u>
Depreciated over	<u>50 years</u>	<u>4-10 years</u>	<u>4-15 years</u>	
Including assets under finance leases amounting to	<u>0</u>	<u>208</u>	<u>0</u>	<u>0</u>

8 Fixed asset investments

	Other investments
	TDKK
Cost at 1 January	<u>25</u>
Cost at 31 December	<u>25</u>
Carrying amount at 31 December	<u>25</u>

Notes to the Financial Statements

	2021 <u>TDKK</u>	2020 <u>TDKK</u>
9 Inventories		
Raw materials and consumables	29.403	19.005
Finished goods and goods for resale	<u>8.640</u>	<u>7.461</u>
	<u>38.043</u>	<u>26.466</u>
10 Prepayments		
Prepayments consist of prepaid expenses concerning subscriptions.		
11 Current asset investments		
Shares	<u>8</u>	<u>8</u>
	<u>8</u>	<u>8</u>
12 Distribution of profit		
Proposed dividend for the year	15.250	16.400
Retained earnings	<u>4.462</u>	<u>-5.179</u>
	<u>19.712</u>	<u>11.221</u>
13 Provision for deferred tax		
Provision for deferred tax at 1 January	1.145	1.243
Amounts recognised in the income statement for the year	168	-99
Amounts recognised in equity for the year	<u>0</u>	<u>1</u>
Provision for deferred tax at 31 December	<u>1.313</u>	<u>1.145</u>

Notes to the Financial Statements

14 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:

	<u>2021</u> TDKK	<u>2020</u> TDKK
Mortgage loans		
After 5 years	1.909	2.358
Between 1 and 5 years	1.800	1.801
Long-term part	<u>3.709</u>	<u>4.159</u>
Within 1 year	450	450
	<u>4.159</u>	<u>4.609</u>
Lease obligations		
Between 1 and 5 years	117	144
Long-term part	<u>117</u>	<u>144</u>
Within 1 year	58	87
	<u>175</u>	<u>231</u>
Other payables		
Between 1 and 5 years	849	836
Long-term part	<u>849</u>	<u>836</u>
Other short-term payables	4.962	2.661
	<u>5.811</u>	<u>3.497</u>

Notes to the Financial Statements

	2021 TDKK	2020 TDKK
15 Contingent assets, liabilities and other financial obligations		
Charges and security		
The following assets have been placed as security with mortgage credit institutes:		
Land and buildings for which the carrying value is	23.965	23.667
The following assets have been placed as security with bankers:		
Mortgages registered to the owner of DKK 2.450.000, which provide mortgage in land and buildings for which the carrying value is	23.965	23.667
The following assets have been placed as security with banks: As security for debt in banks the company has floating charge a nominal amount of DKK 8.000.000. Floating charges includes tangible fixes assets, inventory and trade receivables, as at the balance sheet date has the following values DKK	50.969	34.454

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of SKIOLD Group A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

16 Related parties

	Basis
Controlling interest	
SKIOLD A/S, CVR-nr. 57081112	Parent Company
Plemont Co-Investment No. 1 Seperate Limited Partnership	Majority shareholder in Parent Company

Notes to the Financial Statements

16 Related parties (continued)

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act. There have been no transactions with the Supervisory Board, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany transactions on an arm's length basis and normal managements remuneration.

Consolidated Financial Statements

The company is included in the group report for the parent company

<u>Name</u>	<u>Place of registered office</u>
SKIOLD Group A/S	Sæby, Denmark
SKIOLD A/S	Sæby, Denmark

The Group Annual Report of SKIOLD Group A/S may be obtained at the following address:

SKIOLD Group A/S
Kjeldgaardsvej 3
9300 Sæby
Denmark

The Group Annual Report of SKIOLD A/S may be obtained at the following address:

SKIOLD A/S
Kjeldgaardsvej 3, 9300 Sæby
Denmark

Notes to the Financial Statements

17 Accounting Policies

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

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2021 are presented in TDKK.

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 SKIOLD Group A/S, 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.

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

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

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

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, expenses for raw materials and consumables and other external expenses.

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

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.

The Company is jointly taxed with SKIOLD Group A/S and other Danish enterprises in the associated joint taxation. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 5 years.

Costs incurred on development projects comprise salaries, amortisation and other costs which are directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the Company can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover production costs, selling costs and administrative expenses as well as the development costs.

Development projects that do not qualify for recognition in the balance sheet are recognised as costs in the income statement as incurred.

Notes to the Financial Statements

17 Accounting Policies (continued)

Capitalised development costs are measured at the lower of cost less accumulated amortisation and impairment loss and the recoverable amount. An amount corresponding to the recognised development costs reduced by tax is allocated to the equity item “Reserve for development costs”. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis. Capitalised development costs are amortised as from the date of completion on a straight-line basis over the period during which development work is expected to generate economic benefits.

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.

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	50 years
Plant and machinery	4-10 years
Other fixtures and fittings, tools and equipment	4-15 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.

Fixed asset investments

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

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 subscriptions.

Notes to the Financial Statements

17 Accounting Policies (continued)

Current asset investments

Current asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

Equity

Dividend

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

Deferred tax assets and liabilities

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

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

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

Current tax receivables and liabilities

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

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash

Notes to the Financial Statements

17 Accounting Policies (continued)

value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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

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