
Skiold Landmeco A/S

Haulundvej 16, DK-6870 Ølgod

Annual Report for 1 January - 31 December 2020

CVR No 89 52 41 13

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
28/6 2021

Brian Hyldahl Frimor
Chairman of the General
Meeting

Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company Information	5
Financial Highlights	6
Management's Review	7
Financial Statements	
Income Statement 1 January - 31 December	8
Balance Sheet 31 December	9
Statement of Changes in Equity	11
Notes to the Financial Statements	12

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 2020.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and of the results of the Company operations for 2020.

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

Ølgod, 28 June 2021

Executive Board

Henrik Helsinghof

Board of Directors

Søren Sandholm Overgaard
Chairman

Henrik Hilbert Overbye

Brian Hyldahl Frimor

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 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Skiold Landmeco A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned

Independent Auditor's Report

scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Herning, 28 June 2021

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
Brian Hyldahl Frimor

Executive Board

Henrik Helsinghof

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:

	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK
Key figures					
Profit/loss					
Operating profit/loss	14.716	6.102	10.887	8.763	7.888
Net financials	-312	-499	-455	-442	-356
Net profit/loss for the year	11.221	4.337	8.080	6.433	5.833
Balance sheet					
Balance sheet total	76.903	61.292	56.843	51.466	46.282
Equity	44.690	33.469	29.132	25.552	21.120
Investment in property, plant and equipment	2.148	5.865	-239	2.179	6.995
Number of employees	33	39	38	33	26
Ratios					
Return on assets	19,1%	10,0%	19,2%	17,0%	17,0%
Solvency ratio	58,1%	54,6%	51,2%	49,6%	45,6%
Return on equity	28,7%	13,9%	29,6%	27,6%	32,0%

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 2020 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 11,221 with a total equity of TDKK 44,690.

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 Group mostly trades in EUR.

Targets and expectations for the year ahead

The outlook for 2021 is positive due to the expected benefit of strategic and operational activities implemented in 2020, hereunder increase in activity in several newer markets that will contribute positively to the company's earnings.

While uncertainty still exists, it is currently expected that any potential negative impact of the COVID-19 outbreak on the Group's performance in 2021 will be limited.

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

	<u>Note</u>	<u>2020</u> TDKK	<u>2019</u> TDKK
Gross profit/loss		36.165	29.994
Staff expenses	1	-19.807	-22.358
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	<u>-1.642</u>	<u>-1.534</u>
Profit/loss before financial income and expenses		14.716	6.102
Financial income		4	9
Financial expenses	3	<u>-316</u>	<u>-508</u>
Profit/loss before tax		14.404	5.603
Tax on profit/loss for the year	4	<u>-3.183</u>	<u>-1.266</u>
Net profit/loss for the year		<u>11.221</u>	<u>4.337</u>

Balance Sheet 31 December

Assets

	Note	2020 TDKK	2019 TDKK
Acquired patents		167	209
Intangible assets	5	167	209
Land and buildings		23.667	24.041
Plant and machinery		2.026	1.842
Other fixtures and fittings, tools and equipment		2.503	1.942
Property, plant and equipment	6	28.196	27.825
Other investments		25	25
Fixed asset investments	7	25	25
Fixed assets		28.388	28.059
Inventories	8	26.466	24.408
Trade receivables		3.590	4.256
Receivables from group enterprises		17.560	0
Other receivables		577	915
Prepayments	9	99	321
Receivables		21.826	5.492
Current asset investments	10	8	8
Cash at bank and in hand		215	3.325
Currents assets		48.515	33.233
Assets		76.903	61.292

Balance Sheet 31 December

Liabilities and equity

	Note	2020 TDKK	2019 TDKK
Share capital		2.000	2.000
Retained earnings		26.290	31.469
Proposed dividend for the year		16.400	0
Equity		44.690	33.469
Provision for deferred tax	12	1.145	1.243
Provisions		1.145	1.243
Mortgage loans		4.159	4.609
Lease obligations		144	201
Other payables		836	334
Long-term debt	13	5.139	5.144
Mortgage loans	13	450	450
Credit institutions		85	258
Lease obligations	13	87	114
Prepayments received from customers		5.152	977
Trade payables		11.645	9.484
Payables to group enterprises		2.567	6.410
Corporation tax		3.282	2.107
Other payables	13	2.661	1.636
Short-term debt		25.929	21.436
Debt		31.068	26.580
Liabilities and equity		76.903	61.292
Distribution of profit	11		
Contingent assets, liabilities and other financial obligations	14		
Related parties	15		
Accounting Policies	16		

Statement of Changes in Equity

	Share capital	Retained	Proposed	Total
	<u>TDKK</u>	earnings	dividend for the	<u>TDKK</u>
	<u>TDKK</u>	<u>TDKK</u>	year	<u>TDKK</u>
	<u>TDKK</u>	<u>TDKK</u>	<u>TDKK</u>	<u>TDKK</u>
Equity at 1 January	2.000	31.469	0	33.469
Net profit/loss for the year	<u>0</u>	<u>-5.179</u>	<u>16.400</u>	<u>11.221</u>
Equity at 31 December	<u>2.000</u>	<u>26.290</u>	<u>16.400</u>	<u>44.690</u>

Notes to the Financial Statements

	2020	2019
	TDKK	TDKK
1 Staff expenses		
Wages and salaries	16.857	18.056
Pensions	1.996	2.383
Other social security expenses	151	166
Other staff expenses	803	1.753
	<u>19.807</u>	<u>22.358</u>
Average number of employees	<u>33</u>	<u>39</u>
Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.		
2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Amortisation of intangible assets	42	0
Depreciation of property, plant and equipment	1.586	1.534
Gain and loss on disposal	14	0
	<u>1.642</u>	<u>1.534</u>
3 Financial expenses		
Interest paid to group enterprises	99	220
Other financial expenses	217	288
	<u>316</u>	<u>508</u>
4 Tax on profit/loss for the year		
Current tax for the year	3.282	1.184
Deferred tax for the year	-99	82
	<u>3.183</u>	<u>1.266</u>

Notes to the Financial Statements

5 Intangible assets

	Acquired pa- tents <u>TDKK</u>
Cost at 1 January	<u>209</u>
Cost at 31 December	<u>209</u>
Impairment losses and amortisation at 1 January	0
Amortisation for the year	<u>42</u>
Impairment losses and amortisation at 31 December	<u>42</u>
Carrying amount at 31 December	<u>167</u>

6 Property, plant and equipment

	Land and buildings <u>TDKK</u>	Plant and machinery <u>TDKK</u>	Other fixtures and fittings, tools and equipment <u>TDKK</u>
Cost at 1 January	26.402	16.265	4.680
Additions for the year	99	902	1.147
Disposals for the year	<u>0</u>	<u>-519</u>	<u>0</u>
Cost at 31 December	<u>26.501</u>	<u>16.648</u>	<u>5.827</u>
Impairment losses and depreciation at 1 January	2.361	14.424	2.737
Depreciation for the year	473	634	587
Reversal of impairment and depreciation of sold assets	<u>0</u>	<u>-436</u>	<u>0</u>
Impairment losses and depreciation at 31 December	<u>2.834</u>	<u>14.622</u>	<u>3.324</u>
Carrying amount at 31 December	<u>23.667</u>	<u>2.026</u>	<u>2.503</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>298.595</u>	<u>0</u>

Notes to the Financial Statements

7 Fixed asset investments

	Other investments TDKK
Cost at 1 January	25
Cost at 31 December	25
Carrying amount at 31 December	25

8 Inventories

	2020 TDKK	2019 TDKK
Raw materials and consumables	19.005	17.355
Finished goods and goods for resale	7.461	7.053
	26.466	24.408

9 Prepayments

Prepayments consist of prepaid expenses concerning subscriptions.

10 Current asset investments

Shares	8	8
	8	8

11 Distribution of profit

Proposed dividend for the year	16.400	0
Retained earnings	-5.179	4.337
	11.221	4.337

Notes to the Financial Statements

	2020 TDKK	2019 TDKK
12 Provision for deferred tax		
Provision for deferred tax at 1 January	1.243	1.161
Amounts recognised in the income statement for the year	-99	82
Amounts recognised in equity for the year	1	0
Provision for deferred tax at 31 December	1.145	1.243

13 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2020 TDKK	2019 TDKK
Mortgage loans		
After 5 years	2.358	2.808
Between 1 and 5 years	1.801	1.801
Long-term part	4.159	4.609
Within 1 year	450	450
	4.609	5.059
Lease obligations		
Between 1 and 5 years	144	201
Long-term part	144	201
Within 1 year	87	114
	231	315
Other payables		
Between 1 and 5 years	836	334
Long-term part	836	334
Other short-term payables	2.661	1.636
	3.497	1.970

Notes to the Financial Statements

	2020 TDKK	2019 TDKK
14 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	23.667	24.040.798
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	23.666.957	24.040.798
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	34.453.529	33.908.818

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.

15 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

15 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

16 Accounting Policies

The Annual Report of Skiold Landmeco A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2020 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

16 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

16 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.

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

Notes to the Financial Statements

16 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

16 Accounting Policies (continued)

Prepayments

Prepayments comprise prepaid expenses concerning subscriptions.

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.

Notes to the Financial Statements

16 Accounting Policies (continued)

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