
Landmeco. Ølgod A/S

Haulundvej 16, DK-6870 Ølgod

Annual Report for 1 January - 31 December 2019

CVR No 89 52 41 13

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
31/8 2020

Brian Hyldahl Frimor
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 Landmeco. Ølgod A/S for the financial year 1 January - 31 December 2019.

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 2019 of the Company and of the results of the Company operations for 2019.

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

Ølgod, 26 August 2020

Executive Board

Henrik Helsinghof

Board of Directors

Søren Sandholm Overgaard
Chairman

Michael Pontoppidan Frost

Brian Hyldahl Frimor

Independent Auditor's Report

To the Shareholder of Landmeco. Ølgod 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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Landmeco. Ølgod A/S for the financial year 1 January - 31 December 2019, 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, 26 August 2020

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

Landmeco. Ølgod 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
Michael Pontoppidan Frost
Brian Hyldahl Frimor

Executive Board

Henrik Helsinghof

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Platanvej 4
DK-7400 Herning

Bankers

Sydbank A/S
Kongensgade 62
6701 Esbjerg

Financial Highlights

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

	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK	2015 TDKK
Key figures					
Profit/loss					
Operating profit/loss	6.102	10.887	8.763	7.888	6.403
Net financials	-499	-455	-442	-356	-398
Net profit/loss for the year	4.337	8.080	6.433	5.833	4.565
Balance sheet					
Balance sheet total	61.291	56.843	51.466	46.282	36.157
Equity	33.469	29.132	25.552	21.120	15.287
Investment in property, plant and equipment	5.865	559	2.179	6.995	2.386
Number of employees	39	38	33	26	23
Ratios					
Return on assets	10,0%	19,2%	17,0%	17,0%	17,7%
Solvency ratio	54,6%	51,2%	49,6%	45,6%	42,3%
Return on equity	13,9%	29,6%	27,6%	32,0%	30,2%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

The Annual Report has been prepared under the same accounting policies as last year.

Key activities

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

Development in the year

The income statement of the Company for 2019 shows a profit of DKK 4,336,760, and at 31 December 2019 the balance sheet of the Company shows equity of DKK 33,469,049.

The profit for the year is not satisfactory, with a decline compared to last year.

The profit for the year is proposed transferred to the company's equity.

Special risks - operating risks and financial risks

Operating risks

The company is not affected by special risk beyond the commonly occurring risks in the industry.

Targets and expectations for the year ahead

For 2020, activity and earnings exceeding the level in 2019 are expected, although it must be seen from the possible impact of international economic conditions in the sector.

An increase in activity is expected in several newer markets that will contribute positively to the company's earnings.

The Company's outlook for the future will for the time being not be negatively affected by the COVID-19 outbreak, see also subsequent events disclosures in note 1.

Research and development

The company continuously develops the product programme with adaptations to pre-existing products and the development of new solutions.

Subsequent events

We refer to note 1.

Income Statement 1 January - 31 December

	<u>Note</u>	<u>2019</u> DKK	<u>2018</u> DKK
Gross profit/loss		29.992.825	34.345.479
Staff expenses	2	-22.356.021	-21.927.704
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	<u>-1.534.699</u>	<u>-1.531.245</u>
Profit/loss before financial income and expenses		6.102.105	10.886.530
Financial income		9.248	2.142
Financial expenses	4	<u>-508.223</u>	<u>-457.084</u>
Profit/loss before tax		5.603.130	10.431.588
Tax on profit/loss for the year	5	<u>-1.266.370</u>	<u>-2.351.748</u>
Net profit/loss for the year		<u>4.336.760</u>	<u>8.079.840</u>

Balance Sheet 31 December

Assets

	Note	2019 DKK	2018 DKK
Acquired patents		209.342	0
Intangible assets	6	209.342	0
Land and buildings		24.040.798	19.399.989
Plant and machinery		1.842.041	2.125.282
Other fixtures and fittings, tools and equipment		1.942.589	2.104.502
Property, plant and equipment	7	27.825.428	23.629.773
Other investments		25.000	25.000
Fixed asset investments	8	25.000	25.000
Fixed assets		28.059.770	23.654.773
Inventories	9	24.407.988	21.133.586
Trade receivables		4.255.371	8.155.018
Other receivables		914.439	67.213
Prepayments	10	321.332	266.080
Receivables		5.491.142	8.488.311
Current asset investments	11	7.755	7.755
Cash at bank and in hand		3.324.683	3.558.734
Currents assets		33.231.568	33.188.386
Assets		61.291.338	56.843.159

Balance Sheet 31 December

Liabilities and equity

	Note	2019 DKK	2018 DKK
Share capital		2.000.000	2.000.000
Retained earnings		31.469.049	27.132.289
Equity		33.469.049	29.132.289
Provision for deferred tax	13	1.243.418	1.161.242
Provisions		1.243.418	1.161.242
Mortgage loans		4.608.856	5.058.784
Lease obligations		201.094	315.131
Other payables		333.849	0
Long-term debt	14	5.143.799	5.373.915
Mortgage loans	14	450.464	451.340
Credit institutions		257.134	252.362
Lease obligations	14	114.177	80.347
Prepayments received from customers		976.729	782.203
Trade payables		9.419.128	5.378.028
Payables to group enterprises		6.410.123	5.670.368
Corporation tax		2.106.654	2.200.506
Other payables	14	1.700.663	6.360.559
Short-term debt		21.435.072	21.175.713
Debt		26.578.871	26.549.628
Liabilities and equity		61.291.338	56.843.159
Subsequent events	1		
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Statement of Changes in Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	2.000.000	27.132.289	29.132.289
Net profit/loss for the year	0	4.336.760	4.336.760
Equity at 31 December	2.000.000	31.469.049	33.469.049

Notes to the Financial Statements

1 Subsequent events

The implications of COVID-19 with many governments across the world deciding to "close down their countries" will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company.

To date, the Company has not been negatively impacted by the effects of COVID-19. None of the Company's customers have indicated that they will stop projects in progress, and order flow is not affected. There is a risk of some delays in deliveries from some sup-suppliers, but a material impact is not expected.

Besides the above, no events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

	<u>2019</u> DKK	<u>2018</u> DKK
2 Staff expenses		
Wages and salaries	18.054.251	17.112.553
Pensions	2.383.085	2.311.682
Other social security expenses	166.077	150.709
Other staff expenses	<u>1.752.608</u>	<u>2.352.760</u>
	<u>22.356.021</u>	<u>21.927.704</u>
Average number of employees	<u>39</u>	<u>38</u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Depreciation of property, plant and equipment	<u>1.534.699</u>	<u>1.531.245</u>
	<u>1.534.699</u>	<u>1.531.245</u>

Notes to the Financial Statements

	<u>2019</u> DKK	<u>2018</u> DKK
4 Financial expenses		
Interest paid to group enterprises	219.898	157.834
Other financial expenses	<u>288.325</u>	<u>299.250</u>
	<u>508.223</u>	<u>457.084</u>
5 Tax on profit/loss for the year		
Current tax for the year	1.184.194	2.200.506
Deferred tax for the year	<u>82.176</u>	<u>151.242</u>
	<u>1.266.370</u>	<u>2.351.748</u>
6 Intangible assets		
		Acquired pa- tents <u>DKK</u>
Cost at 1 January		0
Additions for the year		<u>209.342</u>
Cost at 31 December		<u>209.342</u>
Impairment losses and amortisation at 1 January		<u>0</u>
Impairment losses and amortisation at 31 December		<u>0</u>
Carrying amount at 31 December		<u>209.342</u>

Notes to the Financial Statements

7 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment
	DKK	DKK	DKK
Cost at 1 January	21.356.608	15.881.188	4.313.789
Additions for the year	5.044.901	454.042	366.302
Disposals for the year	0	-69.281	0
Cost at 31 December	<u>26.401.509</u>	<u>16.265.949</u>	<u>4.680.091</u>
Impairment losses and depreciation at 1 January	1.956.619	13.755.906	2.209.287
Depreciation for the year	404.092	668.002	528.215
Impairment losses and depreciation at 31 December	<u>2.360.711</u>	<u>14.423.908</u>	<u>2.737.502</u>
Carrying amount at 31 December	<u>24.040.798</u>	<u>1.842.041</u>	<u>1.942.589</u>
Depreciated over	<u>50 years</u>	<u>4-10 years</u>	<u>4-7 years</u>
Including assets under finance leases amounting to	<u>0</u>	<u>389.591</u>	<u>0</u>

8 Fixed asset investments

	Other investments
	DKK
Cost at 1 January	<u>25.000</u>
Cost at 31 December	<u>25.000</u>
Carrying amount at 31 December	<u>25.000</u>

9 Inventories

	2019	2018
	DKK	DKK
Raw materials and consumables	17.354.717	15.922.382
Finished goods and goods for resale	7.053.271	5.211.204
	<u>24.407.988</u>	<u>21.133.586</u>

Notes to the Financial Statements

10 Prepayments

Prepayments consist of prepaid expenses concerning insurance premiums, subscriptions and interest as well.

	<u>2019</u> DKK	<u>2018</u> DKK
11 Current asset investments		
Shares	7.755	7.755
	<u>7.755</u>	<u>7.755</u>

12 Distribution of profit

Retained earnings	4.336.760	8.079.840
	<u>4.336.760</u>	<u>8.079.840</u>

13 Provision for deferred tax

Provision for deferred tax at 1 January	1.161.242	1.010.000
Amounts recognised in the income statement for the year	82.176	151.242
Provision for deferred tax at 31 December	<u>1.243.418</u>	<u>1.161.242</u>

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>2019</u> DKK	<u>2018</u> DKK
Mortgage loans		
After 5 years	2.808.219	3.256.117
Between 1 and 5 years	1.800.637	1.802.667
Long-term part	<u>4.608.856</u>	<u>5.058.784</u>
Within 1 year	450.464	451.340
	<u>5.059.320</u>	<u>5.510.124</u>

Notes to the Financial Statements

14 Long-term debt (continued)

	2019	2018
	DKK	DKK
Lease obligations		
Between 1 and 5 years	201.094	315.131
Long-term part	201.094	315.131
Within 1 year	114.177	80.347
	315.271	395.478
Other payables		
Between 1 and 5 years	333.849	0
Long-term part	333.849	0
Other short-term payables	1.700.663	6.360.559
	2.034.512	6.360.559

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	24.040.798	19.399.989
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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	24.040.798	19.399.989
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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

	33.908.818	32.618.705
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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.

Notes to the Financial Statements

16 Related parties

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

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, grup 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	København K, 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
Gothersgade 49, 2, 1123
København K
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 Landmeco. Ølgod A/S for 2019 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 2019 are presented in DKK.

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.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the

Notes to the Financial Statements

17 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	4-7 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

17 Accounting Policies (continued)

Prepayments

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

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

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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