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# ***Multi-Wing International A/S***

Staktoften 16, DK-2950 Vedbæk

## **Annual Report for 1 January - 31 December 2021**

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CVR No 11 95 95 98

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
28/06 2022

Jens Antonsen  
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 Multi-Wing International 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.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Copenhagen, 28 June 2022

## Executive Board

Lisbeth Tonsberg  
Executive Officer

## Board of Directors

Jesper Bernhoft  
Chairman

Daniel Williams

Jens Schmidt Antonsen

# Independent Auditor's Report

To the Shareholder of Multi-Wing International 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 Multi-Wing International 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.

# Independent Auditor's Report

## Management's responsibilities for the Financial Statements

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

In preparing the Financial Statements, Management is responsible for assessing the 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.

## Independent Auditor's Report

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

Hellerup, 28 June 2022

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Ulrik Ræbild  
statsautoriseret revisor  
mne33262

Jacob Dannefer  
statsautoriseret revisor  
mne47886

## Company Information

### The Company

Multi-Wing International A/S  
Staktoften 16  
DK-2950 Vedbæk

CVR No: 11 95 95 98  
Financial period: 1 January - 31 December  
Incorporated: 1 December 1987  
Financial year: 33rd financial year  
Municipality of reg. office: Vedbæk

### Board of Directors

Jesper Bernhoft, Chairman  
Daniel Williams  
Jens Schmidt Antonsen

### Executive Board

Lisbeth Tonsberg

### Auditors

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

## 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
<b>Key figures</b>					
<b>Profit/loss</b>					
Gross profit/loss	66.390	41.685	56.157	58.312	55.278
Profit/loss before financial income and expenses	42.287	18.972	32.680	25.649	26.758
Net financials	-427	-661	-43	-307	-2.390
Net profit/loss for the year	32.372	14.637	27.564	27.564	18.993
<b>Balance sheet</b>					
Balance sheet total	115.075	113.396	125.391	90.474	93.584
Equity	44.946	27.574	42.938	37.480	29.916
<b>Ratios</b>					
Return on assets	36,7%	16,7%	26,1%	28,3%	28,6%
Solvency ratio	39,1%	24,3%	34,2%	41,4%	32,0%
Return on equity	89,3%	41,5%	68,6%	81,8%	127,0%

The financial ratios are calculated in accordance with the Danish Finance Society's recommendations and guidelines. For definitions, see the summary of significant accounting policies.



# Management's Review

## Key activities

The Company develops, design, produce, markets, sells and supplies a flexible and modular variety of axial impellers utilized in engine cooling, commercial refrigeration, industrial ventilation, and HVAC applications.

## About Multi-Wing International

Multi-Wing is the world's leading expert and dedicated manufacturer of tailor-made axial fans and high-performance FanPacks. For over 60 years, Multi-Wing have designed and built custom axial fans for radiator and engine cooling, ventilation, air conditioning, heating and refrigeration markets all over the world.

Multi-Wing Group was originally founded by Finn Sigurd Andersen in 1938 as a local company trading hand tools and oil filters with small customers in Denmark. Today we support customers globally and meet their complex air-moving requirements. Multi-Wing's engineered axial fans are comprised of various blade and hub configurations, based on each application's performance requirements.

The key to success is our innovative modular system that allows us to create a very wide range of axial fans custom made for the specific application and tailor-made for customer needs. These capabilities have enabled Multi-Wing Group to expand into the market for FanPacks, where the axial fans are crucial for the efficiency of our customers.

High-strength, diecast aluminium hubs are combined with high-efficiency blade profiles, which are moulded in engineered thermoplastics or die cast in aluminium. Machining, assembly, trimming and balancing are performed under the best and ISO 9001:2015 certified conditions to create the perfect axial fan to match your needs.

## The year at a glance

2021 was an eventful year for Multi-Wing. Besides the continued presence and impact of Covid-19, the majority of the Multi-Wing Group, including Multi-Wing International A/S, was acquired by Altor Equity Partners, and the Group faced a cyber security incident, temporarily shutting down vital, internal systems.

In the light of all these instances which has required time and focus from the entire organization, the 2021 result and the dedication of all of the employees is considered very impressive.

The net profit for the year amounts to DKK 32.3 million against DKK 14.6 million last year which is considered very satisfying.

# Management's Review

## Outlook

For 2022 we expect to grow our core-markets. Multi-Wing International is investing in increased capabilities, which in the short term is assumed to have a negative impact on the net profit. For the year of 2022, we anticipate a result in line with 2021.

## Risk Management

As a result of its operations, Multi-Wing International is exposed to volatility in raw material prices, freight rates, exchange rates and interest rates.

The impeller components are cast in aluminium and engineered thermoplastics. In addition, FanPacks is exposed to external sourcing of other components. As freight prices has increased, freight has become a relatively larger part of the cost for delivering the goods and offerings to customers. The markets for the components, materials and freight are relatively volatile and are especially sensitive to increasing oil prices and, to some extent, the development of the USD exchange rate.

Major increases in freight and raw material prices are in large transferred to our customers following the contractual terms and conditions.

## *Research and development activities*

Multi-Wing International got ongoing development projects, which are derived from the expectations of future demand as well as the potential development of the technology involved.

The major part of development projects is related to the development of new types of fans with a particular focus on noise reduction and energy optimization. The projects are proceeding as planned and expected to be completed within 1 to 5 years. The increased demands for environmental impact in both the US and the EU mean that there is increased focus and demand for this type of fans.

## *Knowledge resources*

With the ambition to be market leader, the Multi-Wing International is focused on the attraction and retention of a highly skilled workforce, in addition to being at the forefront of the latest technologies in its core competency areas. The main objective is to work with innovative approaches that will improve and streamline the interaction with customers.

## **Uncertainty relating to recognition and measurement**

There is no uncertainty related to recognition and measurement.

## **Management's Review**

### **Unusual events**

Besides the acquisition of the Multi-Wing Group by Altor, and the Cyber Security incident, no major unusual events has incurred.

### **Subsequent events**

No events have occurred after the balance sheet date which could significantly affect the financial position of the company.

## Income Statement 1 January - 31 December

	Note	2021 TDKK	2020 TDKK
<b>Gross profit/loss</b>		<b>66.390</b>	<b>41.685</b>
Staff expenses	1	-16.738	-14.727
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-7.365	-7.986
<b>Profit/loss before financial income and expenses</b>		<b>42.287</b>	<b>18.972</b>
Financial income	3	849	570
Financial expenses	4	-1.276	-1.231
<b>Profit/loss before tax</b>		<b>41.860</b>	<b>18.311</b>
Tax on profit/loss for the year	5	-9.488	-3.674
<b>Net profit/loss for the year</b>		<b>32.372</b>	<b>14.637</b>

# Balance Sheet 31 December

## Assets

	Note	2021 TDKK	2020 TDKK
Completed development projects		7.452	7.652
Development projects in progress		12.961	8.668
<b>Intangible assets</b>	6	<b>20.413</b>	<b>16.320</b>
Other fixtures and fittings, tools and equipment		14.920	16.080
Leasehold improvements		587	546
<b>Property, plant and equipment</b>	7	<b>15.507</b>	<b>16.626</b>
<b>Fixed assets</b>		<b>35.920</b>	<b>32.946</b>
<b>Inventories</b>	8	<b>18.183</b>	<b>15.048</b>
Trade receivables		2.071	1.368
Receivables from group enterprises		48.099	60.952
Other receivables		1.679	1.275
Prepayments	9	1.468	920
<b>Receivables</b>		<b>53.317</b>	<b>64.515</b>
<b>Værdipapirer</b>		<b>11</b>	<b>347</b>
<b>Cash at bank and in hand</b>		<b>7.644</b>	<b>540</b>
<b>Currents assets</b>		<b>79.155</b>	<b>80.450</b>
<b>Assets</b>		<b>115.075</b>	<b>113.396</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2021 TDKK	2020 TDKK
Share capital		500	500
Reserve for development costs		14.900	11.761
Retained earnings		13.546	313
Proposed dividend for the year		16.000	15.000
<b>Equity</b>		<b>44.946</b>	<b>27.574</b>
Provision for deferred tax	11	4.270	3.720
<b>Provisions</b>		<b>4.270</b>	<b>3.720</b>
Credit institutions		0	55.892
Trade payables		18.265	10.555
Payables to group enterprises		32.836	7.056
Corporation tax		8.776	2.926
Other payables		5.982	5.673
<b>Short-term debt</b>		<b>65.859</b>	<b>82.102</b>
<b>Debt</b>		<b>65.859</b>	<b>82.102</b>
<b>Liabilities and equity</b>		<b>115.075</b>	<b>113.396</b>
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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	500	11.761	313	15.000	27.574
Ordinary dividend paid	0	0	0	-15.000	-15.000
Development costs for the year	0	3.139	-3.139	0	0
Net profit/loss for the year	0	0	16.372	16.000	32.372
<b>Equity at 31 December</b>	<b>500</b>	<b>14.900</b>	<b>13.546</b>	<b>16.000</b>	<b>44.946</b>

# Notes to the Financial Statements

	2021 TDKK	2020 TDKK
<b>1 Staff expenses</b>		
Wages and salaries	15.507	15.999
Pensions	2.517	2.391
Other social security expenses	213	196
Other staff expenses	185	129
	<b>18.422</b>	<b>18.715</b>
Capitalized for development projects	-1.684	-3.988
	<b>16.738</b>	<b>14.727</b>
<b>Average number of employees</b>	<b>26</b>	<b>25</b>
Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.		
<b>2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment</b>		
Amortisation of intangible assets	2.300	2.487
Depreciation of property, plant and equipment	5.065	5.499
	<b>7.365</b>	<b>7.986</b>
<b>3 Financial income</b>		
Interest received from group enterprises	315	570
Exchange adjustments	534	0
	<b>849</b>	<b>570</b>
<b>4 Financial expenses</b>		
Interest paid to group enterprises	336	41
Other financial expenses	505	759
Exchange adjustments, expenses	435	431
	<b>1.276</b>	<b>1.231</b>



## Notes to the Financial Statements

	2021 <u>TDKK</u>	2020 <u>TDKK</u>
<b>5 Tax on profit/loss for the year</b>		
Current tax for the year	8.938	2.955
Deferred tax for the year	550	719
	<u><b>9.488</b></u>	<u><b>3.674</b></u>
<b>6 Intangible assets</b>		
	Completed development projects <u>TDKK</u>	Development projects in progress <u>TDKK</u>
Cost at 1 January	38.380	8.668
Additions for the year	157	6.174
Transfers for the year	1.881	-1.881
Cost at 31 December	<u>40.418</u>	<u>12.961</u>
Impairment losses and amortisation at 1 January	30.729	0
Amortisation for the year	2.237	0
Impairment losses and amortisation at 31 December	<u>32.966</u>	<u>0</u>
<b>Carrying amount at 31 December</b>	<u><b>7.452</b></u>	<u><b>12.961</b></u>

The major development projects are related to the development of new types of axial impellers with a particular focus on noise reduction and energy optimization. The projects are proceeding as planned and expected to be completed within 1 to 5 years. The increased demands for environmental impact in both the US and the EU mean that there is increased focus and demand for these types of axial impellers.

In addition, development costs for development of a new cloud-based ERP system are also recognised in the balance sheet. The development has progressed as planned and is expected to be rolled out in 2022.

# Notes to the Financial Statements

## 7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment TDKK	Leasehold improvements TDKK
Cost at 1 January	60.460	1.266
Additions for the year	3.664	230
Cost at 31 December	<u>64.124</u>	<u>1.496</u>
Impairment losses and depreciation at 1 January	44.380	720
Depreciation for the year	4.824	189
Impairment losses and depreciation at 31 December	<u>49.204</u>	<u>909</u>
<b>Carrying amount at 31 December</b>	<b><u>14.920</u></b>	<b><u>587</u></b>

## 8 Inventories

	2021 TDKK	2020 TDKK
Finished goods and goods for resale	17.289	14.420
Prepayments for goods	894	628
	<b><u>18.183</u></b>	<b><u>15.048</u></b>

## 9 Prepayments

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

## 10 Distribution of profit

Proposed dividend for the year	16.000	16.000
Retained earnings	16.372	-1.363
	<b><u>32.372</u></b>	<b><u>14.637</u></b>

## Notes to the Financial Statements

	2021	2020
	TDKK	TDKK
<b>11 Provision for deferred tax</b>		
Provision for deferred tax at 1 January	3.720	3.001
Amounts recognised in the income statement for the year	550	719
<b>Provision for deferred tax at 31 December</b>	<b>4.270</b>	<b>3.720</b>

## 12 Contingent assets, liabilities and other financial obligations

### 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 MWH af 2015 ApS for the period 1 January - 31 August 2021 and in MWG HoldCo ApS for the period 1 September - 31 December 2021, who are the management companies 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.

The company is jointly registered for VAT with Multi-Wing Group ApS and Wind Dynamic ApS. These companies are jointly and severally liable to VAT under this registration.

As security for credit institute engagement pledges are given in the Company's operating equipment, stocks and receivables amounting to DKK 10 million.

Letter of indemnity, floating company charge of DKK 10 million are given in group entities IP rights, operating equipment, stocks, and receivables with a carrying value of DKK 110 million.

As additional security for the credit institute engagement a first pledge is given on any outstanding amounts with Multi-Wing Group A/S.

# Notes to the Financial Statements

## 13 Related parties

	<u>Basis</u>
<b>Controlling interest</b>	
Multi-Wing Group A/S	Parent

### 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, only transactions that are not performed on market conditions are to be disclosed.

### Consolidated Financial Statements

The company is included in the consolidated report for the parent company:

<u>Name</u>	<u>Place of registered office</u>
MWG Holdco ApS	Vedbæk
Multi-Wing Group A/S	Vedbæk

# Notes to the Financial Statements

## 14 Accounting Policies

The Annual Report of Multi-Wing International 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 Multi-Wing 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.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

# Notes to the Financial Statements

## 14 Accounting Policies (continued)

### 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 distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, 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, other operating income, expenses for raw materials and consumables and other external expenses.

# Notes to the Financial Statements

## 14 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.

### Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale 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 wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

## Balance Sheet

### Intangible assets

Development costs incurred in connection with development projects comprise the internal and external expenses that are directly attributable to the Company's development activities and which meet the criteria for recognition.

Capitalised development costs are measured at cost less accumulated amortisation or at the recoverable amount where this is lower.

Development costs are usually depreciated over a period of 3 - 5 years.

Capitalized development costs subsequent to 1 January 2016 less depreciation are transferred under equity to net revaluation reserve for development cost.

# Notes to the Financial Statements

## 14 Accounting Policies (continued)

### 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:

Other fixtures and fittings, tools and equipment	3 - 5	years
Leasehold improvements	3	years

The fixed assets' residual values are determined at nil.

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.

### Inventories

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

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct cost of labour and production/production overheads.

The cost of goods for resale, raw materials and consumables equals landed cost.

The net realisable value of stocks is calculated as the expected selling price less direct costs of completion and expenses incurred to effect the sale. The net realisable value is determined taking into account marketability, obsolescence and expected selling price movements.



# Notes to the Financial Statements

## 14 Accounting Policies (continued)

### 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.

### 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

#### *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.

# Notes to the Financial Statements

## 14 Accounting Policies (continued)

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