

Bose ApS

Herstedøstervej 27, 2620 Albertslund

CVR no. 15 11 64 98

Annual report

for the financial year 01.04.22 - 31.03.23

Company information etc.	3
Statement by the Executive Board and Board of Directors on the annual report	4
Independent auditor's report	5 - 7
Management's review	8 - 11
Income statement	12
Balance sheet	13 - 14
Statement of changes in equity	15
Cash flow statement	16
Notes	17 - 25

The company

Bose ApS
Herstedøstervej 27
2620 Albertslund
Danmark
Website: www.bose.com
Registered office: Albertslund
CVR no.: 15 11 64 98
Financial year: 01.04 - 31.03

Executive Board

James Eugene Scammon
Petrus Bernardus de Bruijn
John Patrick Brosnahan

Board of Directors

James Eugene Scammon
Petrus Bernardus de Bruijn
John Patrick Brosnahan

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Parent company

Bose Products B.V., Netherlands

Statement by the Executive Board and Board of Directors on the annual report

We have on this day presented the annual report for the financial year 01.04.22 - 31.03.23 for Bose ApS.

The annual report is presented in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.03.23 and of the results of the company's activities and cash flows for the financial year 01.04.22 - 31.03.23.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Albertslund, September 28, 2023

Executive Board

James Eugene Scammon

Petrus Bernardus de
Bruijn

John Patrick Brosnahan

Board of Directors

James Eugene Scammon
Chairman

Petrus Bernardus de
Bruijn

John Patrick Brosnahan

To the capital owner of Bose ApS**Opinion**

We have audited the financial statements of Bose ApS for the financial year 01.04.22 - 31.03.23, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31.03.23 and of the results of the company's operations and cash flows for the financial year 01.04.22 - 31.03.23 in accordance with the the Danish Financial Statements Act (Årsregnskabsloven).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing 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 regarding the 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 Financial Statements Act.

Based on the work we have performed, we conclude that management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Acts. We did not identify any material misstatement of management's review.

Management's responsibility for the financial statements

The Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore the Management is responsible for the internal control as the 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 International Standards on Auditing 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 International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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 scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Soeborg, Copenhagen, September 28, 2023

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Lasse Rosenborg Petersen
State Authorized Public Accountant
MNE-no. mne42896

FINANCIAL HIGHLIGHTS**Key figures**

Figures in DKK '000	2022/23	2021/22	2020/21	2019/20	2018/19
<i>Profit/loss</i>					
Gross profit	19.185	23.009	30.981	38.683	44.948
Operating profit	4.543	3.014	4.426	7.998	10.124
Total net financials	540	1.221	-2.364	-1.406	-1.120
Profit for the year	3.962	2.848	1.425	5.526	6.528

Balance

Total assets	117.484	108.903	107.531	98.061	149.879
Investments in property, plant and equipment	234	235	2.150	98	76
Equity	76.704	78.026	75.428	69.002	68.266

Ratios

	2022/23	2021/22	2020/21	2019/20	2018/19
<i>Profitability</i>					
Return on equity	5%	4%	2%	8%	10%

Equity ratio

Solvency ratio	65%	72%	70%	70%	46%
----------------	-----	-----	-----	-----	-----

Ratios definitions

Return on equity:	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$
Solvency ratio:	$\frac{\text{Equity, end of year} \times 100}{\text{Total assets}}$

Primary activities

Bose ApS sells and markets its consumer electronics products through multiple channels, including wholesale and direct e-commerce. Furthermore, we distribute our Professional Systems Division products through a network of authorised Pro Partners facilitating both sales and installations.

The revenue is primarily driven by the consumer electronics products, including headphones, personal portable speakers (Bluetooth), smart speakers (Wi-Fi and VPA enabled) and audio-for-video systems (soundbars and home theatre). We expect that our headphones continue to be important for the results of the Company, especially in noise cancelling and true wireless in-Ear (TWIE) categories. Personal Portable Speakers (such as our SoundLink products) and Smart Speakers (for example our Home Speaker 500) are expected to maintain market share. Our popular audio-for-video products (including our Smart Soundbar 900) continue to show a stable market share.

Development in activities and financial affairs

The income statement for the period 01.04.22 - 31.03.23 shows a profit/loss of DKK 3,961,818 against DKK 2,848,113 for the period 01.04.21 - 31.03.22. The balance sheet shows equity of DKK 76,703,993.

Due to circumstances around Covid-19 the earnings expectations for the financial year 01.04.22 - 31.03.23 were sustained around prior year's result with an expectation of net profit in the range of DKK 2 - 4 million. The objective was met.

Information on going concern

Due to the current circumstances around macroeconomics and supply chain, our main strategy is to sustain the current revenue target and to focus on our Bluetooth Headphones portfolio and related product introductions. Bose introduced a new Premium Wi-Fi and VPA-enabled sound bar to further diversify the portfolio. Having a product portfolio heavily dominated by connected products also enables us to deliver more personalised experiences for our customers. Bose as a company focuses on retaliating the impacts of the current market conditions and is confident that appropriate measures are being taken to be the continued strong company. Therefore the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Outlook

The company expects a profit for the year in the region of DKK 3 - 5 million for the coming year.

Future development

In previous years our marketing efforts focused on our headphones, with strong results, especially with products such as the Bose Noise Cancelling Headphones, and Quiet Comfort buds. Bose Limited will continue to focus on growth of headphones sales through existing and new product offerings, while also developing additional products that leverage our unique and emerging technologies.

Business environment

Current market conditions are difficult due to rising inflation and macro-economic conditions in this financial year. We have seen a decline in consumer confidence on spending, due to inflation which put pressure on the overall economy. In the market an increase in competition is visible with multiple electronic companies with comparable product ranges. Bose ApS will continue to focus on strengthening the current product division and attracting new customers through innovations and new product launches.

Strategy

Due to the current circumstances around inflation and macro-economic conditions, our main strategy is to sustain the current revenue target and to focus on our Headphones portfolio and related product introductions. Bose introduced a new Premium Wi-Fi and VPA-enabled sound bar to further diversify the portfolio, and also to create and introduce new products in the wellness and wearables segment. Having a product portfolio heavily dominated by connected products also enables us to deliver more personalised experiences for our customers. Bose ApS focuses on retaliating the impacts of the current market conditions and is confident that appropriate measures are being taken to continue to be a strong company.

Principal risks and uncertainties

We continue to operate in a marketplace that is fast moving and where the consumer is always looking for the latest technology, as such we can be susceptible to changes in consumer demands. To mitigate this risk we are committed to ensuring our brand maintains its aspiration nature and has strong visibility in the market. With a relatively small portfolio of product categories it is important for our success that all categories show positive trends in sales volumes. Mobile sound is fast becoming the main staple of our business with solid demand for headphones and increasing demand for small speakers that operate 'wirelessly'. Whilst these are high volume, fast selling products, lower margins make it imperative we achieve substantial volume growth.

Subsequent events

On April 1 2023, the ultimate parent entity of Bose ApS, Bose Corporation, completed the sale of the Professional Installations operations to Transom Post OpCo, LLC.

Branches abroad

Bose ApS consists of Bose ApS, Denmark and three affiliates, Bose affiliate of Bose ApS Denmark, Sweden, Bose Affilial of Foreign Company, Norway and Bose Finland, affiliate of Bose ApS, Denmark.

Income statement

Note	2022/23 DKK	2021/22 DKK
	19.184.856	23.009.459
Gross profit		
1 Staff costs	-14.160.603	-19.486.268
	5.024.253	3.523.191
Profit before depreciation, amortisation, write-downs and impairment losses		
Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-480.784	-509.581
	4.543.469	3.013.610
Operating profit		
Financial income	965.857	1.498.403
Financial expenses	-426.033	-277.671
	5.083.293	4.234.342
Profit before tax		
Tax on profit for the year	-1.121.475	-1.386.229
	3.961.818	2.848.113
Profit for the year		
Proposed appropriation account		
Proposed dividend for the financial year	35.200.000	0
Retained earnings	-31.238.182	2.848.113
	3.961.818	2.848.113
Total		

Balance sheet

ASSETS		31.03.23	31.03.22
		DKK	DKK
Note			
	Other fixtures and fittings, tools and equipment	1.428.201	1.851.859
³	Total property, plant and equipment	1.428.201	1.851.859
	Total non-current assets	1.428.201	1.851.859
	Manufactured goods and goods for resale	1.043.938	1.166.715
	Total inventories	1.043.938	1.166.715
	Trade receivables	14.636.434	26.072.719
	Deferred tax asset	641.215	662.972
	Income tax receivable	4.530.644	4.562.535
	Other receivables	311.760	0
	Total receivables	20.120.053	31.298.226
	Cash	94.891.579	74.586.491
	Total current assets	116.055.570	107.051.432
	Total assets	117.483.771	108.903.291

EQUITY AND LIABILITIES		31.03.23	31.03.22
		DKK	DKK
Note			
	Share capital	3.000.000	3.000.000
	Foreign currency translation reserve	-532.711	4.750.988
	Retained earnings	39.036.704	70.274.886
	Proposed dividend for the financial year	35.200.000	0
	Total equity	76.703.993	78.025.874
	Trade payables	1.438.562	47.359
	Payables to group enterprises	17.520.369	9.313.653
	Other payables	21.820.847	21.516.405
	Total short-term payables	40.779.778	30.877.417
	Total payables	40.779.778	30.877.417
	Total equity and liabilities	117.483.771	108.903.291

5 Contingent liabilities

6 Related parties

Statement of changes in equity

Figures in DKK	Share capital	Foreign currency translation reserve	Retained earnings	Proposed dividend for the financial year	Total equity
Statement of changes in equity for 01.04.21 - 31.03.22					
Balance as at 01.04.21	3.000.000	5.001.027	67.426.773	0	75.427.800
Foreign currency translation adjustment of foreign enterprises	0	-250.039	0	0	-250.039
Net profit/loss for the year	0	0	2.848.113	0	2.848.113
Balance as at 31.03.22	3.000.000	4.750.988	70.274.886	0	78.025.874
Statement of changes in equity for 01.04.22 - 31.03.23					
Balance as at 01.04.22	3.000.000	4.750.988	70.274.886	0	78.025.874
Foreign currency translation adjustment of foreign enterprises	0	-5.283.699	0	0	-5.283.699
Net profit/loss for the year	0	0	-31.238.182	35.200.000	3.961.818
Balance as at 31.03.23	3.000.000	-532.711	39.036.704	35.200.000	76.703.993

Cash flow statement

Note	2022/23 DKK	2021/22 DKK
Profit for the year	3.961.818	2.848.113
7 Adjustments	-4.044.031	319.823
Change in working capital:		
Inventories	122.777	137.204
Receivables	11.124.525	49.580.274
Trade payables	1.391.203	-92.467
Other payables relating to operating activities	8.511.158	-1.133.367
Cash flows from operating activities before net financials	21.067.450	51.659.580
Interest income and similar income received	965.857	1.498.403
Interest expenses and similar expenses paid	-426.033	-277.671
Income tax paid	-1.067.826	-2.644.235
Cash flows from operating activities	20.539.448	50.236.077
Purchase of property, plant and equipment	-234.360	-234.707
Cash flows from investing activities	-234.360	-234.707
Total cash flows for the year	20.305.088	50.001.370
Cash, beginning of year	74.586.491	24.585.121
Cash, end of year	94.891.579	74.586.491
Cash, end of year, comprises:		
Cash	94.891.579	74.586.491
Total	94.891.579	74.586.491

	2022/23 DKK	2021/22 DKK
1. Staff costs		
Wages and salaries	10.333.961	14.248.212
Pensions	1.524.434	1.918.001
Other social security costs	2.302.208	3.320.055
Total	14.160.603	19.486.268
Average number of employees during the year	17	18

2. Proposed appropriation account

Retained earnings	-31.238.182	2.848.113
-------------------	-------------	-----------

3. Property, plant and equipment

Figures in DKK	Other fixtures and fittings, tools and equipment
Cost as at 01.04.22	3.590.052
Additions during the year	234.360
Cost as at 31.03.23	3.824.412
Depreciation and impairment losses as at 01.04.22	-1.914.428
Depreciation during the year	-481.783
Depreciation and impairment losses as at 31.03.23	-2.396.211
Carrying amount as at 31.03.23	1.428.201

	31.03.23	31.03.22
	DKK	DKK
4. Deferred tax		
Provisions for deferred tax as at 01.04.22	662.972	754.041
Deferred tax recognised in the income statement	-21.757	-91.069
Provisions for deferred tax as at 31.03.23	641.215	662.972

As at 31.03.23, the company has recognised a deferred tax asset of DKK 641k, which can primarily be attributed to a higher taxable value of Other fixtures and fittings, tools and equipment and provisions. The deferred tax asset is recognised on the basis of expectations of positive operating results for the coming years.

5. Contingent liabilities

Lease commitments

The company has concluded lease agreements with terms to maturity up to 48 months and total lease payments of DKK 2.425k.

6. Related parties

Controlling influence	Basis of influence
-----------------------	--------------------

Bose Products B.V., Netherlands	Parent company
---------------------------------	----------------

Related party transactions are not disclosed, as all transactions are entered into in the ordinary course of business at arms' length.

	2022/23	2021/22
	DKK	DKK
7. Adjustments for the cash flow statement		
Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	480.784	509.581
Financial income	-965.857	-1.498.403
Financial expenses	426.033	277.671
Tax on profit or loss for the year	1.121.475	1.386.229
Other adjustments	-5.106.466	-355.255
Total	-4.044.031	319.823

8. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for medium-sized enterprises in reporting class C.

The accounting policies have been applied consistently with previous years.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

8. Accounting policies - continued -**LEASES**

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

INCOME STATEMENT**Gross profit**

Gross profit comprises revenue, other operating income and cost of sales and other external expenses.

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

Cost of sales

Cost of sales comprises cost of sales for the year measured at cost plus any changes in inventories, including write-downs to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

8. Accounting policies - continued -

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

Depreciation, amortisation and impairment losses

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful life, year	Residual value DKK
Other plant, fixtures and fittings, tools and equipment	3-5	0

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

BALANCE SHEET

Property, plant and equipment

Property, plant and equipment comprise other fixtures and fittings, tools and equipment.

8. Accounting policies - continued -

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

Inventories

Inventories are measured at cost calculated according to the FIFO-method. Inventories are written down to the lower of cost and net realisable value.

8. Accounting policies - continued -

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Cash

Cash includes deposits in bank accounts as well as operating cash.

Equity

The proposed dividend for the financial year is recognised as a separate item in equity.

Unrealised foreign currency gains and losses from the translation of the net investment in independent foreign entities are recognised in equity under the foreign currency translation reserve. The reserve is dissolved when the independent foreign entities are disposed of.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

8. Accounting policies - continued -

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, showing cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the company's share capital and associated costs and financing from and dividends paid to shareholders as well as the arrangement and repayment of long-term payables.

Cash and cash equivalents at the beginning and end of the year comprise cash.