
BrandFactory Danmark A/S

Måløv Teknikerby 2, DK-2760 Måløv

Annual Report for 1 January - 31 December 2018

CVR No 15 13 44 88

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
30/4 2019

René Rafn Hansen
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 BrandFactory Danmark A/S for the financial year 1 January - 31 December 2018.

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 2018 of the Company and of the results of the Company operations and cash flows for 2018.

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.

Måløv, 30 April 2019

Executive Board

Jesper Christensen

Anders Vangsgaard

René Rafn Hansen

Nicolai Juul Falkenlund

Board of Directors

Annica Elisabeth Axelsson
Chairman

Claes Oscar Claeson

René Rafn Hansen

Independent Auditor's Report

To the Shareholder of BrandFactory Danmark 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 2018 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of BrandFactory Danmark A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement 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 Financial 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 misstate-

Independent Auditor's Report

ment, 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.
- 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

Independent Auditor's Report

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.

Hillerød, 30 April 2019

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Michael Krath

State Authorised Public Accountant

mne34155

Company Information

The Company

BrandFactory Danmark A/S
Måløv Teknikerby 2
DK-2760 Måløv

CVR No: 15 13 44 88

Financial period: 1 January - 31 December

Municipality of reg. office: Ballerup

Board of Directors

Annica Elisabeth Axelsson, Chairman
Claes Oscar Claeson
René Rafn Hansen

Executive Board

Jesper Christensen
Anders Vangsgaard
René Rafn Hansen
Nicolai Juul Falkenlund

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Milnersvej 43
DK-3400 Hillerød

Financial Highlights

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

	2018 TDKK	2017 TDKK	2016 TDKK	2015 TDKK	2014 TDKK
Key figures					
Profit/loss					
Gross profit/loss	43,071	69,973	59,729	62,508	53,085
Profit/loss before financial income and expenses	-17,565	8,245	7,801	13,168	6,298
Net financials	-260	-632	321	70	-179
Net profit/loss for the year	-14,006	5,842	6,188	9,991	4,526
Balance sheet					
Balance sheet total	61,137	75,080	67,120	70,485	54,148
Equity	8,011	27,817	27,975	21,786	21,796
Cash flows					
Cash flows from:					
- operating activities	5,114	3,036	0	0	0
- investing activities	-8,799	-11,017	0	0	0
including investment in property, plant and equipment	-1,471	-6,795	-2,938	1,547	4,569
- financing activities	3,235	2,690	0	0	0
Change in cash and cash equivalents for the year	-450	-5,291	0	0	0
Number of employees	119	122	106	100	106
Ratios					
Solvency ratio	13.1%	37.0%	41.7%	30.9%	40.3%
Return on equity	-78.2%	20.9%	24.9%	45.8%	19.2%

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.

Pursuant to section 84(4) of the Danish Financial Statements Act, no cash flow statements has been prepared for the years 2016-2014 as the cash flow statement is included in the consolidated financial statements for BrandFactory Group AB.

Management's Review

Key activities

BrandFactory Danmark A/S is the leading Danish company in the field of branding and visual communication and a part of BrandFactory Group AB.

Together with our colleagues in Sweden and Norway we are the Nordic leader in visual communication with a total turnover above SEK 1 mia.

Development in the year

The income statement of the Company for 2018 shows a loss of TDKK 14,006, and at 31 December 2018 the balance sheet of the Company shows equity of TDKK 8,011.

The result for the year are extremely disappointing, but mainly explained by unusual events (see below).

Management expectations for the coming year is a considerably positive result.

External environment

BrandFactory cares about the environment. We prioritize our responsibilities in terms of sustainability, quality and environment. Our sustainability activities involve ambitious goals and actions to secure high quality, social responsibility, good business ethics and environmental considerations.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

Numbers in the annual report includes a major loss from TOP-TOY's bankruptcy with 100 % write down of receivables and also nonrecurring costs related to termination of employees and costs related to acquisition in the Digital Signage market.

Subsequent events

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

Income Statement 1 January - 31 December

	Note	2018 TDKK	2017 TDKK
Gross profit/loss		43,071	69,973
Staff expenses	1	-56,365	-57,141
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-4,271	-4,587
Profit/loss before financial income and expenses	2	-17,565	8,245
Financial income	3	176	90
Financial expenses	4	-436	-722
Profit/loss before tax		-17,825	7,613
Tax on profit/loss for the year	5	3,819	-1,771
Net profit/loss for the year		-14,006	5,842

Balance Sheet 31 December

Assets

	Note	2018 TDKK	2017 TDKK
Completed development projects		1,141	1,540
Acquired other similar rights		950	0
Goodwill		9,066	3,411
Intangible assets	6	11,157	4,951
Plant and machinery		6,591	8,217
Other fixtures and fittings, tools and equipment		5	12
Leasehold improvements		530	582
Property, plant and equipment	7	7,126	8,811
Deposits		792	776
Fixed asset investments	8	792	776
Fixed assets		19,075	14,538
Raw materials and consumables		1,558	1,552
Work in progress		3,296	2,350
Finished goods and goods for resale		3,853	3,831
Inventories		8,707	7,733
Trade receivables		27,573	50,571
Receivables from group enterprises		571	243
Other receivables		544	658
Deferred tax asset	9	3,737	0
Prepayments	10	899	856
Receivables		33,324	52,328
Cash at bank and in hand		31	481
Currents assets		42,062	60,542
Assets		61,137	75,080

Balance Sheet 31 December

Liabilities and equity

	Note	2018 TDKK	2017 TDKK
Share capital		1,000	1,000
Reserve for development costs		890	1,201
Retained earnings		6,121	19,816
Proposed dividend for the year		0	5,800
Equity	11	8,011	27,817
Provision for deferred tax	9	0	100
Provisions		0	100
Lease obligations		2,306	3,859
Other payables		1,500	0
Long-term debt	13	3,806	3,859
Credit institutions		6,813	1,280
Lease obligations	13	1,878	1,603
Prepayments received from customers		3,997	4,730
Trade payables		18,536	17,585
Payables to group enterprises		4,385	3,236
Corporation tax		0	784
Other payables	13	13,711	14,086
Short-term debt		49,320	43,304
Debt		53,126	47,163
Liabilities and equity		61,137	75,080
Distribution of profit	12		
Contingent assets, liabilities and other financial obligations	16		
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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	1,000	1,201	19,816	5,800	27,817
Ordinary dividend paid	0	0	0	-5,800	-5,800
Development costs for the year	0	134	-134	0	0
Depreciation, amortisation and impairment for the year	0	-445	445	0	0
Net profit/loss for the year	0	0	-14,006	0	-14,006
Equity at 31 December	1,000	890	6,121	0	8,011

Cash Flow Statement 1 January - 31 December

	Note	2018 TDKK	2017 TDKK
Net profit/loss for the year		-14,006	5,842
Adjustments	14	702	6,939
Change in working capital	15	19,479	-7,598
Cash flows from operating activities before financial income and expenses		6,175	5,183
Financial income		176	90
Financial expenses		-436	-722
Cash flows from ordinary activities		5,915	4,551
Corporation tax paid		-801	-1,515
Cash flows from operating activities		5,114	3,036
Purchase of intangible assets		-7,321	-5,373
Purchase of property, plant and equipment		-1,471	-6,795
Fixed asset investments made etc		-16	-12
Sale of property, plant and equipment		9	1,163
Cash flows from investing activities		-8,799	-11,017
Reduction of lease obligations		-1,278	-548
Raising of loans from credit institutions		5,533	697
Raising of loans from group enterprises		1,280	8,541
Raising of other debt		3,500	0
Dividend paid		-5,800	-6,000
Cash flows from financing activities		3,235	2,690
Change in cash and cash equivalents		-450	-5,291
Cash and cash equivalents at 1 January		481	5,772
Cash and cash equivalents at 31 December		31	481
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		31	481
Cash and cash equivalents at 31 December		31	481

Notes to the Financial Statements

	2018 <u>TDKK</u>	2017 <u>TDKK</u>
1 Staff expenses		
Wages and salaries	51,289	52,137
Pensions	4,238	4,147
Other social security expenses	813	712
Other staff expenses	25	145
	<u>56,365</u>	<u>57,141</u>
Including remuneration to the Executive Board of: Executive Board	<u>5,239</u>	<u>4,261</u>
	<u>5,239</u>	<u>4,261</u>
Average number of employees	<u>119</u>	<u>122</u>
2 Special items		
Write-downs of trade receivables, that exceed normal write-downs	<u>14,798</u>	<u>0</u>
	<u>14,798</u>	<u>0</u>
3 Financial income		
Interest received from group enterprises	88	86
Other financial income	<u>88</u>	<u>4</u>
	<u>176</u>	<u>90</u>
4 Financial expenses		
Interest paid to group enterprises	1	24
Other financial expenses	<u>435</u>	<u>698</u>
	<u>436</u>	<u>722</u>

Notes to the Financial Statements

	2018	2017
	TDKK	TDKK
5 Tax on profit/loss for the year		
Current tax for the year	0	1,627
Deferred tax for the year	-3,837	144
Adjustment of tax concerning previous years	18	0
	-3,819	1,771

6 Intangible assets

	Completed development projects	Acquired other similar rights	Goodwill	Total
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	1,584	0	4,282	5,866
Additions for the year	171	1,000	6,150	7,321
Cost at 31 December	1,755	1,000	10,432	13,187
Impairment losses and amortisation at 1 January	44	0	871	915
Amortisation for the year	570	50	495	1,115
Impairment losses and amortisation at 31 December	614	50	1,366	2,030
Carrying amount at 31 December	1,141	950	9,066	11,157

Amortised over

5 - 10 years

Development project relate to the acquisition of a new IT system. The system has been completed and is expected to support the Company's operations in the years ahead. The IT system has been recognised at cost and is amortised on a current basis in accordance with the Company's accounting policies. Based on the nature of the item, recognition and measurement of the expenses are not assessed to be subject to any special conditions.

Notes to the Financial Statements

7 Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	18,960	411	679	20,050
Additions for the year	1,248	0	223	1,471
Disposals for the year	-329	-30	0	-359
Cost at 31 December	<u>19,879</u>	<u>381</u>	<u>902</u>	<u>21,162</u>
Impairment losses and depreciation at 1 January	10,743	399	97	11,239
Depreciation for the year	2,874	7	275	3,156
Reversal of impairment and depreciation of sold assets	-329	-30	0	-359
Impairment losses and depreciation at 31 December	<u>13,288</u>	<u>376</u>	<u>372</u>	<u>14,036</u>
Carrying amount at 31 December	<u>6,591</u>	<u>5</u>	<u>530</u>	<u>7,126</u>
Including assets under finance leases amounting to	<u>4,715</u>	<u>0</u>	<u>0</u>	<u>4,715</u>

8 Fixed asset investments

	Deposits
	TDKK
Cost at 1 January	776
Additions for the year	16
Cost at 31 December	<u>792</u>
Carrying amount at 31 December	<u>792</u>

Notes to the Financial Statements

	2018 TDKK	2017 TDKK
9 Deferred tax asset		
Deferred tax asset at 1 January	-100	44
Amounts recognised in the income statement for the year	3,837	-144
Deferred tax asset at 31 December	3,737	-100
Intangible assets	511	375
Property, plant and equipment	-1,195	-309
Inventories	-775	0
Amortization	198	34
Tax loss carry-forward	-2,476	0
Transferred to deferred tax asset	3,737	0
	0	100
Deferred tax asset		
Calculated tax asset	3,737	0
Carrying amount	3,737	0

Deferred tax assets relates primarily to tax loss carry forward, which the Company expects to use the next couple of years.

10 Prepayments

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

11 Equity

The share capital consists of 1,000 shares of a nominal value of TDKK 1,000. No shares carry any special rights.

	2018 TDKK	2017 TDKK
12 Distribution of profit		
Proposed dividend for the year	0	5,800
Retained earnings	-14,006	42
	-14,006	5,842

Notes to the Financial Statements

13 Long-term debt

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

The debt falls due for payment as specified below:

	2018 TDKK	2017 TDKK
Lease obligations		
Between 1 and 5 years	2,306	3,859
Long-term part	2,306	3,859
Within 1 year	1,878	1,603
	4,184	5,462
Other payables		
Between 1 and 5 years	1,500	0
Long-term part	1,500	0
Other short-term payables	13,711	14,086
	15,211	14,086
14 Cash flow statement - adjustments		
Financial income	-176	-90
Financial expenses	436	722
Depreciation, amortisation and impairment losses, including losses and gains on sales	4,261	4,536
Tax on profit/loss for the year	-3,819	1,771
	702	6,939
15 Cash flow statement - change in working capital		
Change in inventories	-974	277
Change in receivables	22,610	-12,680
Change in trade payables, etc	-2,157	4,805
	19,479	-7,598

Notes to the Financial Statements

	2018 TDKK	2017 TDKK
16 Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	4,574	4,307
Between 1 and 5 years	11,450	11,947
After 5 years	0	2,545
	16,024	18,799

17 Related parties

Basis

Controlling interest

Brand Factory Group AB, Fryksdalsbacken 40, S-12343 Farsta, Sweden Parent

Other related parties comprise the other group companies, the Company's Management and the Board of Directors.

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Brand Factory Group AB, Fryksdalsbacken 40, S-12343 Farsta, Sweden

www.brandfactory.se

The Financial statements of BrandFactory Danmark A/S are included in the consolidated financial statements of Brand Factory Group AB, which may be obtained from the company.

Notes to the Financial Statements

18 Subsequent events

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

Notes to the Financial Statements

19 Accounting Policies

The Annual Report of BrandFactory Danmark A/S for 2018 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 2018 are presented in TDKK.

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 the income statement on a straight-line basis over the lease term.

Notes to the Financial Statements

19 Accounting Policies (continued)

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

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.

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 enterprise.

Other external expenses

Other external expenses comprise expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operation 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

19 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.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 5 - 10 years.

Addition of goodwill in 2017 and 2018 is amortised on a straight-line basis over its useful life, which is assessed at 10 years by management. The depreciation period is based on the addition of know how, the history and expectations of customer retention.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

Notes to the Financial Statements

19 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. 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 expected useful lives of the assets, which are:

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

Fixed asset investments consist of deposits.

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.

Notes to the Financial Statements

19 Accounting Policies (continued)

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.

Receivables

Receivables are measured in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Prepayments

Prepayments comprise prepaid expenses concerning subsequent financial years.

Equity

Dividend

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

Deferred tax assets and liabilities

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

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

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

Current tax receivables and liabilities

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

Notes to the Financial Statements

19 Accounting Policies (continued)

Financial debts

Loans 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.

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

Cash Flow Statement

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

Notes to the Financial Statements

19 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$$

Return on equity

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