Templafy ApS

Wilders Plads , 15,2, DK-1403 København K

Annual Report for 2023

CVR No. 25 66 29 46

The Annual Report was presented and adopted at the Annual General Meeting of the company on 28/6 2024

Jesper Theill Eriksen
Chairman of the general meeting

Contents

Management's statement

The Executive Board has today considered and adopted the Annual Report of Templafy ApS for the financial year 1 January - 31 December 2023.

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 2023 of the Company and of the results of the Company operations for 2023.

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.

København K, 28 June 2024

Executive Board

Jesper Theill Eriksen CEO	Christian Lund Co-founder

Independent Auditor's report

To the shareholder of Templafy ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company´s operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Templafy ApS for the financial year 1 January - 31 December 2023, 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 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 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.

Independent Auditor's report

Auditor’s responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company´s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management’s use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company´s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hillerød, 28 June 2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Carsten Blicher
State Authorised Public Accountant
mne16560

Company information

The Company	Templafy ApS Wilders Plads , 15,2 1403 København K Telephone: 36990102 Email: sales@templafy.com Website: www.templafy.com CVR No: 25 66 29 46 Financial period: 1 January - 31 December Municipality of reg. office: Copenhagen
Executive Board	Jesper Theill Eriksen Christian Lund
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Milnersvej 43 DK-3400 Hillerød
Bankers	Danske Bank

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2023	2022	2021	2020	2019
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	78,550	-38,631	8,200	-27,603	-10,169
Profit/loss of primary operations	-78,949	-182,453	-123,350	-136,193	-64,269
Profit/loss of financial income and expenses	-24,231	5,667	1,235	-11,828	-2,788
Net profit/loss for the year	-97,681	-171,286	-116,615	-143,943	-65,638
Balance sheet					
Balance sheet total	514,454	986,870	767,182	361,876	231,349
Equity	67,107	203,442	374,712	135,733	107,667
Number of employees	145	164	237	147	61
Ratios					
Return on assets	-15.3%	-18.5%	-16.1%	-37.6%	-27.8%
Solvency ratio	13.0%	20.6%	48.8%	37.5%	46.5%
Return on equity	-72.2%	-59.3%	-45.7%	-118.3%	-63.2%

In connection with changes to accounting policies, the comparative figures have not been restated. See the description under accounting policies.

Management's review

Key activities

The object of the company is to develop and sell software solutions. Templafy's content enablement platform aligns workforces and enables employees to effortlessly create on-brand, high-performing business content faster. The software is a cloud-based solution that communications and compliance teams can control, IT can trust, and supports employees during every step of document creation.

Development in the year

The income statement of the Company for 2023 shows a loss of DKK 97,680,614, and at 31 December 2023 the balance sheet of the Company shows a positive equity of DKK 67,107,131.

Uncertainty relating to recognition and measurement

There has been no uncertainty regarding recognition and measurement in the Annual Report.

Unusual events

The financial position at 31 December 2023 of the Company and the results of the activities and cash flows of the Company for the financial year for 2023 have not been affected by any unusual events.

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	2023	2022
		DKK	DKK
Gross profit/loss		**78,549,826**	**-38,631,379**
Staff expenses	1	-120,150,776	-128,219,391
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	2	-37,348,287	-15,601,775
Profit/loss before financial income and expenses		**-78,949,237**	**-182,452,545**
Financial income	3	32,080,720	49,850,616
Financial expenses	4	-56,312,097	-44,183,998
Profit/loss before tax		**-103,180,614**	**-176,785,927**
Tax on profit/loss for the year	5	5,500,000	5,499,999
Net profit/loss for the year	6	**-97,680,614**	**-171,285,928**

Balance sheet 31 December

Assets

	Note	2023	2022
		DKK	DKK
Completed development projects		70,920,584	94,760,303
Intangible assets	7	**70,920,584**	**94,760,303**
Land and buildings		11,644,574	15,324,282
Other fixtures and fittings, tools and equipment		1,558,057	2,506,386
Leasehold improvements		0	0
Property, plant and equipment	8	**13,202,631**	**17,830,668**
Investments in subsidiaries	9	112,482,638	112,482,638
Deposits	10	2,966,054	2,688,695
Fixed asset investments		**115,448,692**	**115,171,333**
Fixed assets		**199,571,907**	**227,762,304**
Finished goods and goods for resale		0	146,967
Inventories		**0**	**146,967**
Trade receivables		28,965,897	29,699,010
Receivables from group enterprises		177,196,031	524,531,277
Other receivables		4,502,662	6,937,362
Corporation tax		5,500,000	5,500,000
Prepayments	11	22,351,621	6,820,570
Receivables		**238,516,211**	**573,488,219**
Cash at bank and in hand		**76,366,178**	**185,472,890**
Current assets		**314,882,389**	**759,108,076**
Assets		**514,454,296**	**986,870,380**

Balance sheet 31 December

Liabilities and equity

	Note	2023	2022
		DKK	DKK
Share capital		503,902	503,668
Share premium account		0	15,700
Reserve for development costs		55,318,056	94,760,304
Retained earnings		11,285,173	108,162,373
Equity		**67,107,131**	**203,442,045**
Credit institutions		260,526,502	263,130,675
Lease obligations		6,149,534	11,015,924
Prepayments received from customers		258,840	0
Long-term debt	12	**266,934,876**	**274,146,599**
Lease obligations	12	5,970,955	4,496,597
Trade payables		15,666,401	23,620,545
Payables to group enterprises		47,207,115	374,989,297
Deposits		0	633,564
Other payables		39,572,646	29,436,331
Deferred income	13	71,995,172	76,105,402
Short-term debt		**180,412,289**	**509,281,736**
Debt		**447,347,165**	**783,428,335**
Liabilities and equity		**514,454,296**	**986,870,380**

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Statement of changes in equity

	Share capital	Share premium account	Reserve for development costs	Retained earnings	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	503,668	15,700	94,760,304	108,162,373	203,442,045
Net effect from change of accounting policy	0	0	-49,097,060	10,145,798	-38,951,262
Adjusted equity at 1 January	503,668	15,700	45,663,244	118,308,171	164,490,783
Cash capital increase	234	296,728	0	0	296,962
Depreciation, amortisation and impairment for the year	0	0	9,654,812	-9,654,812	0
Net profit/loss for the year	0	0	0	-97,680,614	-97,680,614
Transfer from share premium account	0	-312,428	0	312,428	0
Equity at 31 December	**503,902**	**0**	**55,318,056**	**11,285,173**	**67,107,131**

Notes to the Financial Statements

		2023	2022
		DKK	DKK
1.	**Staff Expenses**		
	Wages and salaries	115,665,716	122,899,344
	Pensions	706,679	956,076
	Other social security expenses	1,215,978	1,341,292
	Other staff expenses	2,562,403	3,022,679
		120,150,776	**128,219,391**

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

	2023	2022
Average number of employees	**145**	**164**

		2023	2022
		DKK	DKK
2.	**Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment**		
	Amortisation of intangible assets	36,249,863	11,667,488
	Depreciation of property, plant and equipment	1,098,424	3,934,287
		37,348,287	**15,601,775**

		2023	2022
		DKK	DKK
3.	**Financial income**		
	Interest received from group enterprises	22,722,026	42,639,793
	Other financial income	5,780,091	6,567
	Exchange adjustments	-37,690	-275,087
	Exchange gains	3,616,293	7,479,343
		32,080,720	**49,850,616**

4. Financial expenses

	2023	2022
	DKK	DKK
Interest paid to group enterprises	2,685,129	24,050,894
Other financial expenses	37,770,982	20,099,822
Exchange adjustments, expenses	15,658,496	0
Exchange loss	197,490	33,282
	56,312,097	**44,183,998**

5. Income tax expense

	2023	2022
	DKK	DKK
Current tax for the year	-5,500,000	-5,499,999
	-5,500,000	**-5,499,999**

6. Profit allocation

	2023	2022
	DKK	DKK
Transfer for the year to other reserves	0	17,837,937
Retained earnings	-97,680,614	-189,123,865
	-97,680,614	**-171,285,928**

7. Intangible fixed assets

	Completed development projects
	DKK
Cost at 1 January	151,404,948
Net effect from change of accounting policy	17,141,255
Additions for the year	48,877,937
Cost at 31 December	217,424,140
Impairment losses and amortisation at 1 January	56,644,645
Net effect from change of accounting policy	53,359,118
Amortisation for the year	36,499,793
Impairment losses and amortisation at 31 December	146,503,556
Carrying amount at 31 December	**70,920,584**
Amortised over	3 years
Interest expenses recognised as part of cost	475,271

Development projects relate to improving the Company's existing software products to improve robustness and scalability and add new features that can be marketed towards new and existing customers. The robustness and scalability will support the continued high growth in customers using the software and the added features are generically designed to meet several customers individual needs. The added features including an advanced e-mail signature solution for big enterprise customers were marketed as of the second quarter of 2017. The development projects are progressing according to plan.

Notes to the Financial Statements

8. Property, plant and equipment

	Land and buildings	Other fixtures and fittings, tools and equipment
	DKK	DKK
Cost at 1 January	17,807,689	5,717,460
Additions for the year	5,259,535	150,095
Disposals for the year	0	622,405
Cost at 31 December	23,067,224	6,489,960
Impairment losses and depreciation at 1 January	2,483,407	3,211,075
Depreciation for the year	8,939,243	1,098,423
Reversal of impairment and depreciation of sold assets	0	622,405
Impairment losses and depreciation at 31 December	11,422,650	4,931,903
Carrying amount at 31 December	**11,644,574**	**1,558,057**

9. Investments in subsidiaries

	2023	2022
	DKK	DKK
Cost at 1 January	112,482,638	112,482,638
Cost at 31 December	112,482,638	112,482,638
Carrying amount at 31 December	**112,482,638**	**112,482,638**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Ownership
Templafy Germany GmbH	Berlin		100%
Templafy US	New York		100%
iWriter B.V.	Eindhoven		100%
Templafy UK	UK		100%

Notes to the Financial Statements

10. Other fixed asset investments

	Deposits
	DKK
Cost at 1 January	2,688,695
Additions for the year	277,359
Cost at 31 December	2,966,054
Carrying amount at 31 December	**2,966,054**

11. Prepayments

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

	2023	2022
	DKK	DKK

12. 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:

	2023	2022
Credit institutions		
After 5 years	0	0
Between 1 and 5 years	260,526,502	263,130,675
Long-term part	260,526,502	263,130,675
Within 1 year	0	0
	260,526,502	**263,130,675**
Lease obligations		
After 5 years	0	0
Between 1 and 5 years	6,149,534	11,015,924
Long-term part	6,149,534	11,015,924
Within 1 year	5,970,955	4,496,597
	12,120,489	**15,512,521**

Notes to the Financial Statements

	2023	2022
	DKK	DKK

12. Long-term debt

	2023 DKK	2022 DKK
Prepayments received from customers		
After 5 years	0	0
Between 1 and 5 years	258,840	0
Long-term part	258,840	0
Within 1 year	0	0
	258,840	**0**

13. Deferred income

Deferred income consists of payments received in respect of income in subsequent years.

Deferred income consists of prepaid subscriptions on software.

14. Contingent assets, liabilities and other financial obligations

	2023 DKK	2022 DKK
Charges and security		
The following assets have been placed as security with credit institutions:		
Floating charge totaling TDKK 237,261 (2021: TDKK 245,490), providing security in unsecured claims, operating equipment, goodwill, patents	113,089,112	136,591,756

Notes to the Financial Statements

15. Related parties and disclosure of consolidated financial statements

	Basis
Controlling interest	
Templafy Holding Inc.	Parent Company

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

There have been no transactions with the Supervisory Board, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany transactions and normal management remuneration.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

Name	Place of registered office
Templafy Holding Inc.	One World Trade Center, 48th Floor, New York, NY 10007, United States

The Group Annual Report of Templafy Holding Inc. may be obtained at the following address:

One World Trade Center, 48th Floor, New York, NY 10007, United States

Notes to the Financial Statements

16. Accounting policies

The Annual Report of Templafy ApS for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Financial Statements for 2023 are presented in DKK.

Changes in accounting policies

The company has changed accounting policies for amortization period of completed development projects. The company has also decided to recognize the obligation of warrants and to include financial leasing on the balance sheet. Equity is affected by TDKK -38,951 (1st of January 2023). The company's cash flow is not affected by the change.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements for 2023 of Templafy Holding Inc., the Company has not prepared consolidated financial statements.

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 Templafy Holding Inc., the Company has not prepared a cash flow statement.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

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.

Business combinations

Business acquisitions carried through on or after 1 July 2018

Acquisitions of subsidiaries are accounted for using the purchase method under which the identifiable assets and liabilities of the entity acquired are measured at fair value at the time of acquisition.

The time of acquisition is the time when the Group obtains control of the entity acquired.

The cost of the entity acquired is the fair value of the consideration agreed, including consideration contingent on future events. Transaction costs directly attributable to the acquisition of subsidiaries are recognised in the income statement as incurred.

Positive differences between the cost of the entity acquired and identifiable assets and liabilities are recognised as goodwill in intangible assets in the balance sheet and are amortised in the income statement on a straight-line basis over their estimated useful lives. Where the differences are negative, they are recognised immediately in the income statement.

Where the purchase price allocation is not final, positive and negative differences from acquired subsidiaries due to changes to the recognition and measurement of identifiable net assets may be adjusted for up to 12 months after the time of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

Where cost includes contingent consideration, this is measured at fair value at the time of acquisition. Contingent consideration is subsequently measured at fair value. Any value adjustments are recognised in the income statement.

In respect of step acquisitions, any previously held investments in the entity acquired are remeasured at fair value at the time of acquisition. The difference between the carrying amount of the investment previously held and the fair value is recognised in the income statement.

Business acquisitions carried through before 1 July 2018

Subject to some exemptions, acquisitions carried through before 1 July 2018 are accounted for under the same accounting policies as those applying to business combinations carried through on or after 1 July 2018. The most material exemptions are:

- Identifiable assets and liabilities of the entity acquired are recognised only if they are probable.
- Identifiable contingent liabilities of the entity acquired are not recognised in the consolidated balance sheet.
- Where the purchase price allocation is not final, positive and negative differences due to changes to the recognition and measurement of the acquired net assets may be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.
- Transaction costs directly attributable to the acquisition of subsidiaries are included as part of cost.
- After the initial recognition, adjustment of contingent consideration is recognised directly with its counter entry in initial purchase price, thus correcting the value of goodwill or negative goodwill.
- In respect of step acquisitions, the carrying amount of the existing investments is recognised in cost.

Pooling of interests

Intragroup business combinations are accounted for under the pooling-of-interests method. Under this method, the two enterprises are combined at carrying amounts, and no differences are identified. Any consideration which exceeds the carrying amount of the acquired enterprise is recognised directly in equity. The pooling-of-interests method is applied as if the two enterprises had always been combined by restating comparative figures.

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. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Notes to the Financial Statements

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 transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

Incentive schemes

The value of share-based payment, including share option and warrant plans offered to the Executive Board and other employees is recognised in the income statement.

Income statement

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when the sale is considered effected based on the following criteria:

• delivery has been made before year end;

• a binding sales agreement has been made;

• the sales price has been determined; and

• payment has been received or may with reasonable certainty be expected to be received.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales as well as office expenses, etc.

Other external expenses also include research and development costs that do not qualify for capitalisation.

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.

Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Notes to the Financial Statements

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.

Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Balance sheet

Intangible fixed assets

Development projects

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

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 contracted directly for financing the construction of property, plant and equipment are recognised in cost over the construction period.

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 buildings	7 years
Other fixtures and fittings, tools and equipment	5 years
Leasehold improvements	5 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Notes to the Financial Statements

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment and investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Other fixed asset investments

Other fixed asset investments consist of

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 and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale 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 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.

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, including the tax base of tax loss carry-forwards, 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 receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Notes to the Financial Statements

Financial liabilities

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

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Financial Highlights

Explanation of financial ratios

Return on assets	Profit/loss of ordinary primary operations x 100 / Total assets at year end
Solvency ratio	Equity at year end x 100 / Total assets at year end
Return on equity	Net profit for the year x 100 / Average equity