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# ***Kaleido Technology ApS***

Ryttermarken 1, DK-3520 Farum

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

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CVR No 26 30 97 35

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
14/7 2022

Richard Joe Kuen Mok  
Chairman of the General  
Meeting



**pwc**

# Contents

	<u>Page</u>
<b>Management's Statement and Auditor's Report</b>	
Management's Statement	1
Independent Auditor's Report	2
<b>Management's Review</b>	
Company Information	5
Financial Highlights	6
Management's Review	7
<b>Financial Statements</b>	
Income Statement 1 January - 31 December	9
Balance Sheet 31 December	10
Statement of Changes in Equity	12
Notes to the Financial Statements	13

# Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Kaleido Technology ApS for the financial year 1 January - 31 December 2021.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2021 of the Company and of the results of the Company operations for 2021.

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

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

Farum, 14 July 2022

## Executive Board

Zhu Bingke  
CEO

## Board of Directors

Richard Joe Kuen Mok  
Chairman

Zhu Bingke

Niels Christian Rømer Holme

Duan YunJian

# Independent Auditor's Report

To the Shareholder of Kaleido Technology ApS

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Kaleido Technology ApS for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

## 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.

Hellerup, 14 July 2022

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Leif Ulbæk Jensen  
statsautoriseret revisor  
mne23327

James Liang  
statsautoriseret revisor  
mne34549

## Company Information

### The Company

Kaleido Technology ApS  
Ryttermarken 1  
DK-3520 Farum

Telephone: + 45 44346430  
Website: [www.kaleido-technology.com](http://www.kaleido-technology.com)

CVR No: 26 30 97 35  
Financial period: 1 January - 31 December  
Incorporated: 1 November 2001  
Financial year: 20th financial year  
Municipality of reg. office: Furesø

### Board of Directors

Richard Joe Kuen Mok , Chairman  
Zhu Bingke  
Niels Christian Rømer Holme  
Duan YunJian

### Executive Board

Zhu Bingke

### Auditors

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

## Financial Highlights

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

	2021 TDKK	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Gross profit/loss	102.426	100.364	110.611	53.514	59.661
Profit/loss before financial income and expenses	8.744	6.087	24.885	9.723	52.957
Net financials	-17.764	6.481	-11.832	-6.893	-1.543
Net profit/loss for the year	-13.679	9.803	10.145	1.550	40.100
<b>Balance sheet</b>					
Balance sheet total	295.390	290.935	300.317	247.702	103.491
Equity	88.243	101.922	92.119	81.975	80.425
<b>Ratios</b>					
Return on assets	3,0%	2,1%	8,3%	3,9%	51,2%
Solvency ratio	29,9%	35,0%	30,7%	33,1%	77,7%
Return on equity	-14,4%	10,1%	11,7%	1,9%	66,4%

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.



# Management's Review

## Key activities

The company manufactures moulds for glass casting of camera lenses for consumer electronics.

The company develops equipment and processes for lens manufacturing based on wafer technology.

## Development in the year

The income statement of the Company for 2021 shows a loss of DKK 13.678.507 and at 31 December 2021 the balance sheet of the Company shows equity of DKK 88.243.475. Loss for the year was mainly due to full year impact of exchange rate adjustments and provision for income tax related to previous years.

## Intellectual capital resources

As a development centre for AAC Technologies, it is important for the company's continued development, that the company can continue to deliver new products to customers, that the company can recruit and retain employees with a high level of education and employees with technical experience.

## Particular risks

Due to the company's activity as an internal development and production centre, it is assessed that the company is not exposed to any unusual obligations. As many transactions is in foreign currency the company is exposed to currency fluctuations.

## Research and development

The company's development activity is within ultra-precision machining and optimization, with a view to massproduction of lenses for consumer electronics.

## External environment

The company refines lens molds. The activities are not subject to requirements for environmental approvals or green accounts. The most significant environmental effect from the company's activities is energy consumption in connection with mold processing. The company's physical material consumption is very limited, with consequent external impact. The company buys part of its electricity consumption as green electricity, but also has no separate activities to reduce the company's external environmental impact.

## Subsequent events

We refer to note 17 'Subsequent events'

## Outlook

The number of employees is expected to fall compared to the end of 2021, but will overall contribute to a

## **Management's Review**

higher turnover and result compared to 2021. The result for 2022 is expected to be between DKK 9.000.000 and DKK 10.000.000 before financial items and tax.

## Income Statement 1 January - 31 December

	Note	2021 DKK	2020 DKK
<b>Gross profit/loss</b>		<b>102.426.019</b>	<b>100.363.555</b>
Staff expenses	2	-69.041.308	-67.892.753
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-24.640.960	-25.095.011
Other operating expenses		0	-1.289.006
<b>Profit/loss before financial income and expenses</b>		<b>8.743.751</b>	<b>6.086.785</b>
Financial income	4	872.617	12.973.022
Financial expenses	5	-18.636.290	-6.491.558
<b>Profit/loss before tax</b>		<b>-9.019.922</b>	<b>12.568.249</b>
Tax on profit/loss for the year	6	-4.658.585	-2.765.408
<b>Net profit/loss for the year</b>		<b>-13.678.507</b>	<b>9.802.841</b>

# Balance Sheet 31 December

## Assets

	Note	2021 DKK	2020 DKK
Acquired other similar rights		17.746.302	15.247.077
<b>Intangible assets</b>	7	<b>17.746.302</b>	<b>15.247.077</b>
Land and buildings		58.697.893	61.779.603
Plant and machinery		102.410.446	148.247.230
Other fixtures and fittings, tools and equipment		119.912	336.270
Property, plant and equipment in progress		7.589.916	10.639.355
<b>Property, plant and equipment</b>	8	<b>168.818.167</b>	<b>221.002.458</b>
Deposits		0	349.563
<b>Fixed asset investments</b>	9	<b>0</b>	<b>349.563</b>
<b>Fixed assets</b>		<b>186.564.469</b>	<b>236.599.098</b>
Raw materials and consumables		6.170.273	4.925.857
Work in progress		19.809.393	10.604.134
Finished goods and goods for resale		0	208.883
<b>Inventories</b>		<b>25.979.666</b>	<b>15.738.874</b>
Receivables from group enterprises		73.040.247	24.913.097
Other receivables		617.376	783.924
Prepayments	10	1.005.575	1.304.848
<b>Receivables</b>		<b>74.663.198</b>	<b>27.001.869</b>
<b>Cash at bank and in hand</b>		<b>8.182.504</b>	<b>11.595.149</b>
<b>Currents assets</b>		<b>108.825.368</b>	<b>54.335.892</b>
<b>Assets</b>		<b>295.389.837</b>	<b>290.934.990</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2021 DKK	2020 DKK
Share capital	11	17.221.939	17.221.939
Share premium account		971.928	971.928
Retained earnings		70.049.608	83.728.115
<b>Equity</b>		<b>88.243.475</b>	<b>101.921.982</b>
Provision for deferred tax	13	7.468.445	8.814.221
<b>Provisions</b>		<b>7.468.445</b>	<b>8.814.221</b>
Payables to group enterprises		172.959.185	160.046.799
Other payables		7.549.444	0
<b>Long-term debt</b>	14	<b>180.508.629</b>	<b>160.046.799</b>
Trade payables		3.525.534	3.419.751
Corporation tax		8.599.404	0
Other payables	14	7.044.350	16.732.237
<b>Short-term debt</b>		<b>19.169.288</b>	<b>20.151.988</b>
<b>Debt</b>		<b>199.677.917</b>	<b>180.198.787</b>
<b>Liabilities and equity</b>		<b>295.389.837</b>	<b>290.934.990</b>
Distribution of profit	12		
Contingent assets, liabilities and other financial obligations	15		
Related parties	16		
Subsequent events	17		
Accounting Policies	18		

## Statement of Changes in Equity

	Share capital	Share premium	Retained	Total
	<u>DKK</u>	<u>account</u>	<u>earnings</u>	<u>DKK</u>
	DKK	DKK	DKK	DKK
Equity at 1 January	17.221.939	971.928	83.728.115	101.921.982
Net profit/loss for the year	<u>0</u>	<u>0</u>	<u>-13.678.507</u>	<u>-13.678.507</u>
<b>Equity at 31 December</b>	<b><u>17.221.939</u></b>	<b><u>971.928</u></b>	<b><u>70.049.608</u></b>	<b><u>88.243.475</u></b>

# Notes to the Financial Statements

	2021 <u>DKK</u>	2020 <u>DKK</u>
<b>1 Other operating income</b>		
Other income	17.800	0
	<b>17.800</b>	<b>0</b>
<b>2 Staff expenses</b>		
The company has chosen to apply the exemption provision for disclosure of management salaries according to the rules in section 98b ( 3) of the Danish Financial Statements Act. The board does not receive any salaries.		
Wages and salaries	59.541.407	60.145.284
Pensions	6.096.661	4.990.982
Other social security expenses	940.447	762.965
Other staff expenses	2.462.793	1.993.522
	<b>69.041.308</b>	<b>67.892.753</b>
<b>Average number of employees</b>	<b>101</b>	<b>109</b>
<b>3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment</b>		
Depreciation of property, plant and equipment	24.640.960	25.095.011
	<b>24.640.960</b>	<b>25.095.011</b>
<b>4 Financial income</b>		
Exchange adjustments	872.617	12.973.022
	<b>872.617</b>	<b>12.973.022</b>
<b>5 Financial expenses</b>		
Interest paid to group enterprises	3.865.876	5.018.605
Other financial expenses	2.595.043	0
Exchange adjustments, expenses	12.175.371	1.472.953
	<b>18.636.290</b>	<b>6.491.558</b>

## Notes to the Financial Statements

	<u>2021</u>	<u>2020</u>
	DKK	DKK
<b>6 Tax on profit/loss for the year</b>		
Current tax for the year	0	0
Deferred tax for the year	-1.345.776	0
Adjustment of current tax concerning previous years	<u>6.004.361</u>	<u>2.765.408</u>
	<b><u>4.658.585</u></b>	<b><u>2.765.408</u></b>

Adjustment of current tax concerning previous years pertains to reassessment of income year 2017 equal to an adjustment of DKK 6 million (special item)

### 7 Intangible assets

	<u>Acquired other similar rights</u>
	DKK
Cost at 1 January	15.738.567
Additions for the year	<u>4.897.355</u>
Cost at 31 December	<u>20.635.922</u>
Impairment losses and amortisation at 1 January	491.490
Amortisation for the year	<u>2.398.130</u>
Impairment losses and amortisation at 31 December	<u>2.889.620</u>
<b>Carrying amount at 31 December</b>	<b><u>17.746.302</u></b>



# Notes to the Financial Statements

## 8 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress
	DKK	DKK	DKK	DKK
Cost at 1 January	66.786.800	197.433.685	1.031.872	10.639.355
Additions for the year	247.362	7.914.649	55.528	8.092.910
Disposals for the year	0	-44.095.072	0	-11.142.349
Reclassification	143.750	-16.291.261	0	0
Cost at 31 December	<u>67.177.912</u>	<u>144.962.001</u>	<u>1.087.400</u>	<u>7.589.916</u>
Impairment losses and depreciation at 1 January	5.007.197	49.186.455	695.602	0
Depreciation for the year	3.329.072	18.641.871	271.886	0
Reversal of impairment and depreciation of sold assets	0	-8.985.511	0	0
Reclassification	143.750	-16.291.260	0	0
Impairment losses and depreciation at 31 December	<u>8.480.019</u>	<u>42.551.555</u>	<u>967.488</u>	<u>0</u>
<b>Carrying amount at 31 December</b>	<b><u>58.697.893</u></b>	<b><u>102.410.446</u></b>	<b><u>119.912</u></b>	<b><u>7.589.916</u></b>

## 9 Fixed asset investments

	Deposits DKK
Cost at 1 January	349.563
Disposals for the year	-349.563
Cost at 31 December	<u>0</u>
<b>Carrying amount at 31 December</b>	<b><u>0</u></b>

## 10 Prepayments

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

# Notes to the Financial Statements

## 11 Share capital

The share capital consists of 17,221,939 shares of a nominal value of DKK 17,221,939. No shares carry any special rights.

The share capital is broken down as follow:

	<u>Number</u>	<u>Nominal value</u> DKK
A-shares	9.505.390	9.505.390
B-shares	7.716.550	<u>7.716.549</u>
		<b><u>17.221.939</u></b>

## 12 Distribution of profit

	<u>2021</u> DKK	<u>2020</u> DKK
Retained earnings	<u>-13.678.507</u>	<u>9.802.841</u>
	<b><u>-13.678.507</u></b>	<b><u>9.802.841</u></b>

## 13 Provision for deferred tax

Intangible assets	3.904.186	3.354.357
Property, plant and equipment	3.582.516	5.459.864
Tax losses carried forward	<u>-18.257</u>	<u>0</u>
	<b><u>7.468.445</u></b>	<b><u>8.814.221</u></b>

# Notes to the Financial Statements

## 14 Long-term debt

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

The debt falls due for payment as specified below:

	2021 DKK	2020 DKK
<b>Payables to group enterprises</b>		
Between 1 and 5 years	172.959.185	160.046.799
Long-term part	172.959.185	160.046.799
Within 1 year	0	0
	<b>172.959.185</b>	<b>160.046.799</b>
<b>Other payables</b>		
After 5 years	7.549.444	0
Long-term part	7.549.444	0
Other short-term payables	7.044.350	16.732.237
	<b>14.593.794</b>	<b>16.732.237</b>

## 15 Contingent assets, liabilities and other financial obligations

### Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement with Wispry ApS. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

## 16 Related parties

### Basis

#### Controlling interest

AAC Optics Solutions Pte., Ltd.

Singapore

# Notes to the Financial Statements

## 16 Related parties (continued)

### 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.

No such transactions have been conducted in the financial year.

### 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:

Name and registered office of the Parent preparing consolidated financial statements for the largest group:  
AAC Technologies Holdings Inc.

Copies of the consolidated financial statements of AAC Technologies Holdings Inc. may be ordered at the following address: Unit 1607, China Evergrande Centre, 38 Gloucester Road, WanChai, Hong Kong.

## 17 Subsequent events

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

# Notes to the Financial Statements

## 18 Accounting Policies

The Annual Report of Kaleido Technology ApS for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2021 are presented in DKK.

### Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of AAC Tehcnologies Holdings Inc., the Company has not prepared a cash flow statement.

### Recognition and measurement

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.

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

### 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.

#### Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns. Furthermore cost of sales includes raw materials consumed to achieve revenue for the year.

#### Other external expenses

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

#### Gross profit/loss

Gross profit or loss comprises revenue, changes in inventories or finished goods and work in progress, own work capitalised, other operating income, cost of raw materials and consumables and external expenses. With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, expenses for raw materials and consumables and other external expenses.

#### 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.

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

### Tax on profit/loss for the year

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

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

## Balance Sheet

### Intangible assets

Intangible fixed assets are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

### Property, plant and equipment

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

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

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other buildings	20 years
Plant and machinery	10 years
Other fixtures and fittings, tools and equipment	3-10 years

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

### Impairment of fixed assets

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

If so, the asset is written down to its lower recoverable amount.

### Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

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

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

### Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

### 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 de-



## Notes to the Financial Statements

### 18 Accounting Policies (continued)

ferred 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

## 18 Accounting Policies (continued)

### Financial debts

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

### Financial Highlights

#### Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$