
Promovec A/S

Brunbjergvej 2, DK-8240 Risskov

Annual Report for 1 July 2020 - 30 June 2021

CVR No 32 79 00 89

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
28/10 2021

Brian Christensen
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 Promovec A/S for the financial year 1 July 2020 - 30 June 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 30 June 2021 of the Company and of the results of the Company operations for 2020/21.

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.

Risskov, 28 October 2021

Executive Board

Jesper Lundqvist

Board of Directors

Gert Kristiansen
Chairman

Kurt Schlott Hansen

Brian Christensen

Independent Auditor's Report

To the Shareholders of Promovec A/S

Opinion

We have audited the Financial Statements of Promovec A/S for the financial year 1 July 2020 - 30 June 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The Financial Statements are 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 of the Company at 30 June 2021 and of the results of the Company's operations for the financial year 1 July 2020 - 30 June 2021 in accordance with the Danish Financial Statements Act.

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.

Management's responsibilities for the Financial Statements

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

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

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

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

Independent Auditor's Report

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.

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.

Independent Auditor's Report

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.

Esbjerg, 28 October 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Palle H. Jensen

State Authorised Public Accountant

mne32115

Company Information

The Company

Promovec A/S
Brunbjergvej 2
DK-8240 Risskov
E-mail: info@promovec.dk
Website: www.promovec.dk

CVR No: 32 79 00 89
Financial period: 1 July - 30 June
Financial year: 12nd financial year
Municipality of reg. office: Aarhus

Board of Directors

Gert Kristiansen, Chairman
Kurt Schlott Hansen
Brian Christensen

Executive Board

Jesper Lundqvist

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Esbjerg Brygge 28
DK-6700 Esbjerg

Bankers

Skjern Bank
Banktorvet 3
6900 Skjern

Financial Highlights

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

	2020/21	2019/20	2018/19	2017/18	2016/17
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	59.787	28.996	31.966	23.006	21.694
Operating profit/loss	32.971	8.094	13.347	3.805	6.837
Profit/loss before financial income and expenses	32.971	8.094	13.347	3.805	6.837
Net financials	-532	-1.273	-2.654	-618	-815
Net profit/loss for the year	25.495	5.440	8.182	2.477	4.694
Balance sheet					
Balance sheet total	125.598	69.618	83.478	51.874	37.223
Equity	44.231	20.735	17.295	9.113	8.636
Ratios					
Return on assets	26,3%	11,6%	16,0%	7,3%	18,4%
Solvency ratio	35,2%	29,8%	20,7%	17,6%	23,2%
Return on equity	78,5%	28,6%	62,0%	27,9%	74,6%

The ratios have been prepared in accordance with the recommendations and guidelines issues by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Key activities

The Company's principal activity consists of development, production, sale and servicing of electric bikes and drivelines for electric bikes.

Development in the year

The income statement of the Company for 2020/21 shows a profit of DKK 25,495,239, and at 30 June 2021 the balance sheet of the Company shows equity of DKK 44,230,528.

The past year and follow-up on development expectations from last year

Despite supply uncertainty our targets for the year have been met and the result for the year must be considered satisfactory. Our position is strengthened in both the Danish and international markets.

Regarding development we have continued to develop new products, as a result we have received an innovation award at Eurobike. Furthermore, we have reached the goal of implementing a major IT project, by replacing C5 with BusinessCentral (Navision), a new website and complaint system. We have increased the staff, as part of the continued upgrading which has led to the establishment of a HR function.

Targets and expectations for the year ahead

In general, the electric bicycle industry is in a continuing positive development, and we expect further solid growth despite the constant uncertainty on the supply side. The focus in the coming year will be on securing our deliveries and the further product development, which will require further recruitment of qualified employees. The green agenda also remains important to us and we will invest even more in this agenda over the coming years.

Uncertainty relating to recognition and measurement

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

Unusual events

The financial position at 30 June 2021 of the Company and the results of the activities of the Company for the financial year for 2020/21 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 July - 30 June

	Note	2020/21	2019/20
		DKK	DKK
Gross profit/loss		59.787.295	28.995.720
Staff expenses	1	-24.288.671	-19.377.859
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-2.527.995	-1.524.209
Profit/loss before financial income and expenses		32.970.629	8.093.652
Financial income	2	962.483	378.493
Financial expenses		-1.494.911	-1.651.275
Profit/loss before tax		32.438.201	6.820.870
Tax on profit/loss for the year	3	-6.942.962	-1.380.949
Net profit/loss for the year		25.495.239	5.439.921
 Proposed distribution of profit			
Proposed dividend for the year		3.000.000	2.000.000
Retained earnings		22.495.239	3.439.921
		25.495.239	5.439.921

Balance Sheet 30 June

Assets

	Note	2021 DKK	2020 DKK
Completed development projects		2.081.633	2.651.967
Development projects in progress		4.739.149	2.743.204
Intangible assets	4	6.820.782	5.395.171
Other fixtures and fittings, tools and equipment		1.115.443	531.157
Leasehold improvements		516.552	722.894
Property, plant and equipment	5	1.631.995	1.254.051
Other receivables		356.000	356.000
Fixed asset investments	6	356.000	356.000
Fixed assets		8.808.777	7.005.222
Inventories	7	51.938.827	15.584.118
Trade receivables		37.148.985	26.339.814
Receivables from group enterprises		7.675.021	8.173.534
Receivables from associates		12.572.762	7.502.334
Other receivables		2.912.980	1.636.018
Prepayments	8	4.517.222	2.498.053
Receivables		64.826.970	46.149.753
Cash at bank and in hand		23.227	879.109
Currents assets		116.789.024	62.612.980
Assets		125.597.801	69.618.202

Balance Sheet 30 June

Liabilities and equity

	Note	2021 DKK	2020 DKK
Share capital		5.000.000	5.000.000
Reserve for development costs		5.041.697	3.667.660
Retained earnings		31.188.831	10.067.629
Proposed dividend for the year		3.000.000	2.000.000
Equity		44.230.528	20.735.289
Provision for deferred tax	10	1.593.993	1.188.573
Provision for guarantee repairs	11	1.692.493	1.622.127
Provisions		3.286.486	2.810.700
Other payables		1.793.988	1.528.123
Long-term debt	12	1.793.988	1.528.123
Subordinate loan capital		0	731.963
Credit institutions		5.441.680	12.347.284
Prepayments received from customers		1.283.768	0
Trade payables		37.310.238	14.459.388
Payables to group enterprises		17.766.089	347.238
Payables to associates		2.450.660	6.323.713
Corporation tax		7.764.542	3.589.836
Other payables	12	4.269.822	6.744.668
Short-term debt		76.286.799	44.544.090
Debt		78.080.787	46.072.213
Liabilities and equity		125.597.801	69.618.202
Distribution of profit	9		
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Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 July	5.000.000	3.667.660	10.067.629	2.000.000	20.735.289
Ordinary dividend paid	0	0	0	-2.000.000	-2.000.000
Development costs for the year	0	1.907.312	-1.907.312	0	0
Depreciation, amortisation and impairment for the year	0	-533.275	533.275	0	0
Net profit/loss for the year	0	0	22.495.239	3.000.000	25.495.239
Equity at 30 June	5.000.000	5.041.697	31.188.831	3.000.000	44.230.528

Notes to the Financial Statements

	2020/21	2019/20
	DKK	DKK
1 Staff expenses		
Wages and salaries	20.457.294	16.724.745
Pensions	2.766.450	1.883.008
Other social security expenses	195.578	165.217
Other staff expenses	869.349	604.889
	24.288.671	19.377.859
Average number of employees	58	48
<p>Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.</p>		
2 Financial income		
Interest received from group enterprises	33.480	37.593
Interest received from associates	119.707	197.173
Other financial income	809.296	143.727
	962.483	378.493
3 Tax on profit/loss for the year		
Current tax for the year	6.537.542	1.227.000
Deferred tax for the year	405.420	153.949
	6.942.962	1.380.949

Notes to the Financial Statements

4 Intangible assets

	Completed development projects	Development projects in progress
	DKK	DKK
Cost at 1 July	13.982.251	2.743.205
Additions for the year	0	3.167.645
Disposals for the year	0	-10.730
Transfers for the year	449.326	-1.160.971
Cost at 30 June	<u>14.431.577</u>	<u>4.739.149</u>
Impairment losses and amortisation at 1 July	11.330.284	0
Amortisation for the year	1.019.660	0
Impairment losses and amortisation at 30 June	<u>12.349.944</u>	<u>0</u>
Carrying amount at 30 June	<u>2.081.633</u>	<u>4.739.149</u>
Amortised over		<u>5 years</u>

Development projects relate to the development of new versions of the Company's existing products as well as expansion of the Company's product range. In FY 2020/21 two development projects was completed, and other two projects have been postponed one year due to covid-19 challenges. Therefore, it is expected, that three projects will be completed in FY 2021/22 and two projects will be completed in FY 2022/23. The development in the Grip/Display project won a gold award at this year's Eurobike Fair and the expectations for the launch of this invention next year is high. Further, there is a high demand from the market on special bikes, which is a main project focus for us which we are launching next year. These products are expected to be sold in the present market to the Company's existing customers, but it is also expected that the new products will be able to reach a broader customers group.

Notes to the Financial Statements

5 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost at 1 July	2.389.398	2.025.842
Additions for the year	251.870	95.301
Transfers for the year	711.645	0
Cost at 30 June	<u>3.352.913</u>	<u>2.121.143</u>
Impairment losses and depreciation at 1 July	1.858.241	1.302.947
Depreciation for the year	379.229	301.644
Impairment losses and depreciation at 30 June	<u>2.237.470</u>	<u>1.604.591</u>
Carrying amount at 30 June	<u>1.115.443</u>	<u>516.552</u>
Depreciated over	<u>3-7 years</u>	<u>5 years</u>

6 Fixed asset investments

	Other receiv- ables DKK
Cost at 1 July	<u>356.000</u>
Cost at 30 June	<u>356.000</u>
Carrying amount at 30 June	<u>356.000</u>

7 Inventories

	2021 DKK	2020 DKK
Finished goods and goods for resale	<u>51.938.827</u>	<u>15.584.118</u>
	<u>51.938.827</u>	<u>15.584.118</u>

Notes to the Financial Statements

8 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well as fair value adjustments of derivative financial instruments with a positive fair value.

	<u>2020/21</u> DKK	<u>2019/20</u> DKK
9 Distribution of profit		
Proposed dividend for the year	3.000.000	2.000.000
Retained earnings	<u>22.495.239</u>	<u>3.439.921</u>
	<u>25.495.239</u>	<u>5.439.921</u>

10 Provision for deferred tax

Provision for deferred tax at 1 July	1.188.573	0
Amounts recognised in the income statement for the year	405.420	153.949
Amounts recognised in equity for the year	<u>0</u>	<u>1.034.624</u>
Provision for deferred tax at 30 June	<u>1.593.993</u>	<u>1.188.573</u>

11 Provision for guarantee repairs

The Company provides warranties of 1 to 5 years on some of its products and is therefore obliged to repair or replace goods which are not satisfactory. Based on previous experience in respect of the level of repairs and returns, other provisions of kDKK 1,692 (2019/20: kDKK 1,622) have been recognised for expected warranty claims.

Other provisions	<u>1.692.493</u>	<u>1.622.127</u>
	<u>1.692.493</u>	<u>1.622.127</u>

Notes to the Financial Statements

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:

	2021 DKK	2020 DKK
Other payables		
Between 1 and 5 years	1.793.988	1.528.123
Long-term part	1.793.988	1.528.123
Other short-term payables	4.269.822	6.744.668
	6.063.810	8.272.791

13 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with Skjern Bank A/S:
Company mortgage on nom. kDKK 32,000, which provides security in the Company's intangible and tangible fixed assets, inventories and debtors with an accounting value of DKK

97.540.589	48.573.154
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Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	37.176	37.176
Between 1 and 5 years	68.156	105.332
	105.332	142.508

Lease obligations, period of non-terminability 12 months	662.448	662.448
Lease obligations, period of non-terminability 11 months	291.500	609.500
Lease obligations, period of non-terminability 6 months	117.000	117.000

Other contingent liabilities

The Company has provided a guarantee to Skjern Bank for the bank's facilities with EB-Component A/S, Promovec Properties A/S and Promovec Group A/S.

Notes to the Financial Statements

13 Contingent assets, liabilities and other financial obligations (continued)

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Jesper Lundqvist Holding ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

14 Related parties

	<u>Basis</u>
Controlling interest	
Promovec Group A/S	Parent Company
Jesper Lundqvist Holding ApS	Ultimate Parent Company
Other related parties	
Jesper Lundqvist Manbjergvej 32, Løgten DK-8541 Skødstrup	Executive board
Gert Kristiansen Stensballe Strandvej 195 DK-8700 Horsens	Chairman of the board of directors
Brian Christensen Martensens Alle 9, 3. DK-1828 Frederiksberg C	Member of the board of directors
Kurt Schlott Hansen Brombærhegnet 41 DK-8700 Horsens	Member of the board of directors

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.

Notes to the Financial Statements

14 Related parties (continued)

Consolidated Financial Statements

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

<u>Name</u>	<u>Place of registered office</u>
Jesper Lundqvist Holding ApS	Løgten, Denmark
Promovec Group A/S	Risskov, Denmark

Notes to the Financial Statements

15 Accounting Policies

The Annual Report of Promovec A/S for 2020/21 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 2020/21 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 Promovec Group A/S, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

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.

Notes to the Financial Statements

15 Accounting Policies (continued)

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.

Gross profit/loss

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.

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 Jesper Lundqvist Holding ApS. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

15 Accounting Policies (continued)

Balance Sheet

Intangible assets

Development projects, patents and licences

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of materials, services and direct wages plus indirect costs, which are calculated as costs in the income statement as incurred.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item "Reserve for development costs". The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 5 years.

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.

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

Other fixtures and fittings, tools and equipment	3-7 years
Leasehold improvements	5 years

Depreciation period and residual value are reassessed annually.

Notes to the Financial Statements

15 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.

Fixed asset investments

Fixed asset investments consist of rent of deposit.

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.

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 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.

Equity

Dividend

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

Notes to the Financial Statements

15 Accounting Policies (continued)

Provisions

Other provisions include warranty obligations in respect of repair work within the warranty period of 2 - 5 years. Provisions are measured and recognised based on experience with guarantee work.

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.

Financial debts

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

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

Financial Highlights

Explanation of financial ratios

Return on assets

$$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$$

Notes to the Financial Statements

15 Accounting Policies (continued)

Solvency ratio

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

Return on equity

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