

**Brother Nordic A/S**  
Baldershøj 22  
2635 Ishøj  
Business Registration No  
54034628

**Annual report**  
**01.04.2019 -**  
**31.03.2020**

The Annual General Meeting adopted the annual report on 29.05.2020

**Chairman of the General Meeting**

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Name: John Lars Manelius

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## Entity details

### Entity

Brother Nordic A/S  
Baldershøj 22  
2635 Ishøj

Central Business Registration No (CVR): 54034628

Registered in: Ishøj

Financial year: 01.04.2019 - 31.03.2020

Phone: +4543313131

Website: [www.brother.dk](http://www.brother.dk)

E-mail: [info@brother.dk](mailto:info@brother.dk)

### Board of Directors

Isao Noji  
Hiroyuki Kachi  
John Lars Manelius  
Yumiko Iwadare

### Executive Board

John Lars Manelius

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
Postboks 1600  
0900 København C

## Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Brother Nordic A/S for the financial year 01.04.2019 - 31.03.2020.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.03.2020 and of the results of its operations and cash flows for the financial year 01.04.2019 - 31.03.2020.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Ishøj, 23.04.2020

### Executive Board

John Lars Manelius

### Board of Directors

Isao Noji

Hiroyuki Kachi

John Lars Manelius

Yumiko Iwadare

# Independent auditor's report

## To the shareholder of Brother Nordic A/S

### Opinion

We have audited the financial statements of Brother Nordic A/S for the financial year 01.04.2019 - 31.03.2020, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement 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 Entity's financial position at 31.03.2020 and of the results of its operations and cash flows for the financial year 01.04.2019 - 31.03.2020 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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:

## Independent auditor's report

- 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 the management commentary**

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

## **Independent auditor's report**

Based on the work we have performed, we conclude that the management commentary 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 of the management commentary.

Copenhagen, 23.04.2020

### **Deloitte**

Statsautoriseret Revisionspartnerselskab

Central Business Registration No (CVR) 33963556

Jens Jørgensen Baes

State-Authorised Public Accountant

Identification No (MNE) mne14956

## Management commentary

	<b>2019/20</b>	<b>2018/19</b>	<b>2017/18</b>	<b>2016/17</b>	<b>2015/16</b>
	<b>EUR'000</b>	<b>EUR'000</b>	<b>EUR'000</b>	<b>EUR'000</b>	<b>EUR'000</b>
<b>Financial highlights</b>					
<b>Key figures</b>					
Revenue	53.584	57.594	63.786	65.442	65.135
Gross profit/loss	8.463	9.263	9.647	9.934	9.507
Operating profit/loss	1.816	2.770	2.092	1.934	3.292
Net financials	(219)	(158)	(154)	(34)	(614)
Profit/loss for the year	1.090	2.047	1.437	1.522	1.970
Total assets	42.253	43.826	42.814	43.737	41.734
Investments in property, plant and equipment	1.507	108	354	350	196
Equity	34.337	35.089	33.044	32.798	31.276
<b>Ratios</b>					
Gross margin (%)	15,8	16,1	15,1	15,2	14,6
Net margin (%)	2,0	3,6	2,3	2,3	3,0
Return on equity (%)	3,1	6,0	4,4	4,8	5,7
Equity ratio (%)	81,3	80,1	77,2	75,0	74,9

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

<b>Ratios</b>	<b>Calculation formula</b>	<b>Calculation formula reflects</b>
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.



## Management commentary

### Primary activities

The Company's activities mainly consist in the sales of printers, All in One printer, labelling systems, scanners and mobility printing products as well as accessories and consumables, etc. to these products.

### Development in activities and finances

Nordic print market decline by approx. -10%, with no exception in any of the Nordic countries. This was more than we expected a year ago. Even though company could keep the same market share as before, Company's turnover decline by -7% vs. previous year. Decline came from consumable business.

Hardware sales was at same level as previous year, so taking into consideration this factor as well the market trend and declining print volume we can say the result was satisfactory. This year's objective was to strange our SMB/corporate business strategy we set up already five years ago, and in this segment we succeeded to grow both our market share and sales. At same time we wanted to secure Company's profitability by carefully monitoring all operating expenses and to have a more efficient organization. We can say that we succeeded in this and the operating profit for the year can be considered satisfactory.

### Uncertainty relating to recognition and measurement

No particular uncertainties are attached to recognition and measurement.

### Outlook

Because of the COVID-19 it is now impossible to give a reliable estimation about future, but for sure market we are present in will suffer in this unpredictable situation, but we believe the impact for SOHO products in which market segment we are having a strong position, will not be affected as badly as SMB/corporate business segment where our market position is not as good as in SOHO. European supplies centralization which means that main part (approx. 60%) of our turnover will be in the future done by Brother Europe, will have a huge impact on Brother Nordic's turnover but not on profit because Brother Nordic will get commission from Brother Europe based on consumable sale-in to our territory.

Without the COVID-19 impact our PBIT is estimated to be approx. 1,5 million – 2 million € but with COVID-19 impact the best estimation is approx. 0,5 million – 1 million €.

### Particular risks

The Company is not subject to any particular business risks.

### Financial exposure

The Company is not materially exposed to foreign exchange risks.

### Intellectual capital resources

The employees improve their qualifications on a current basis in order to constantly have the required and relevant competences.

### Environmental performance

The Company falls within and fully complies with the European WEEE and RoHs regulations. The Company is ISO 14001 certified. A number of the Company's core products are marked with The Nordic Ecolabel.

## Management commentary

### Research and development activities

The Company does not perform specific research and development activities.

### Foreign branches

Representative/Nordic HR manager Tuija Porkka, Brother Finland, Brother Nordic A/S Tanska, sivuliike Suomessa, Äyritie 12 B 3rd floor, 01510 Vantaa, Finland.

Country Manager Geir Langedrag, Brother Norway, branch of Brother Nordic A/S, Karvesvingen 5, 0579 Oslo, Norway.

Country Manager Thomas Björfalk, Brother Sweden, branch of Brother Nordic A/S, Denmark, Hulda Lindgrens gata 6B, 421 31 Västra Frölunda, Sweden.

### Statutory report on corporate social responsibility

The Company is covered by the Group's guidelines on corporate social responsibility. The guidelines are available on the Group's website, see the following link:

<http://www.brother.dk/about-brother/brother-earth>

### Statutory report on the underrepresented gender

The Company has a policy for gender composition of management as the Company sees diversity as a strength that helps secure access to the best talents. The policy is available on the Company's website:

<https://www.brother.dk/about-brother/about-brother-nordics>

### Events after the balance sheet date

The outbreak of coronavirus/COVID-19 has escalated in the beginning of 2020, and WHO has on March 11th 2020 declared the outbreak to be a worldwide pandemic. The outbreak has resulted in a series of precautions, that affects the daily operations, both for the Company, suppliers, customers and other business partners. The economical effect cannot be measured at this time.

No other events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

## Income statement for 2019/20

	<u>Notes</u>	<u>2019/20</u> <u>EUR'000</u>	<u>2018/19</u> <u>EUR'000</u>
Revenue	2	53.584	57.594
Other operating income		175	208
Cost of sales		(39.329)	(41.823)
Other external expenses	3	<u>(5.967)</u>	<u>(6.716)</u>
<b>Gross profit/loss</b>		<b>8.463</b>	<b>9.263</b>
Staff costs	4	(6.057)	(6.166)
Depreciation, amortisation and impairment losses	5	<u>(590)</u>	<u>(327)</u>
<b>Operating profit/loss</b>		<b>1.816</b>	<b>2.770</b>
Other financial income	6	909	750
Other financial expenses	7	<u>(1.128)</u>	<u>(908)</u>
<b>Profit/loss before tax</b>		<b>1.597</b>	<b>2.612</b>
Tax on profit/loss for the year	8	<u>(507)</u>	<u>(565)</u>
<b>Profit/loss for the year</b>	9	<u><b>1.090</b></u>	<u><b>2.047</b></u>

## Balance sheet at 31.03.2020

	<u>Notes</u>	<u>2019/20</u> <u>EUR'000</u>	<u>2018/19</u> <u>EUR'000</u>
Goodwill		0	0
<b>Intangible assets</b>	10	<u>0</u>	<u>0</u>
Land and buildings		3.095	2.445
Other fixtures and fittings, tools and equipment		610	470
Leasehold improvements		2	3
<b>Property, plant and equipment</b>	11	<u>3.707</u>	<u>2.918</u>
Deposits		134	64
<b>Fixed asset investments</b>	12	<u>134</u>	<u>64</u>
<b>Fixed assets</b>		<u>3.841</u>	<u>2.982</u>
Manufactured goods and goods for resale		4.445	13.737
<b>Inventories</b>		<u>4.445</u>	<u>13.737</u>
Trade receivables		2.898	4.866
Receivables from group enterprises		618	185
Other receivables		134	90
Income tax receivable		230	87
Prepayments	13	100	95
<b>Receivables</b>		<u>3.980</u>	<u>5.323</u>
<b>Cash</b>		<u>29.987</u>	<u>21.784</u>
<b>Current assets</b>		<u>38.412</u>	<u>40.844</u>
<b>Assets</b>		<u>42.253</u>	<u>43.826</u>

## Balance sheet at 31.03.2020

	<u>Notes</u>	<u>2019/20</u> <u>EUR'000</u>	<u>2018/19</u> <u>EUR'000</u>
Contributed capital		5.632	5.632
Retained earnings		28.705	29.457
Proposed extraordinary dividend		(980)	0
Proposed dividend		980	0
<b>Equity</b>		<b><u>34.337</u></b>	<b><u>35.089</u></b>
Deferred tax		169	235
Other provisions	14	265	300
<b>Provisions</b>		<b><u>434</u></b>	<b><u>535</u></b>
Finance lease liabilities		577	0
Other payables		154	0
<b>Non-current liabilities other than provisions</b>		<b><u>731</u></b>	<b><u>0</u></b>
Finance lease liabilities		333	0
Trade payables		124	2.020
Payables to group enterprises		2.896	3.651
Other payables		3.398	2.531
<b>Current liabilities other than provisions</b>		<b><u>6.751</u></b>	<b><u>8.202</u></b>
<b>Liabilities other than provisions</b>		<b><u>7.482</u></b>	<b><u>8.202</u></b>
<b>Equity and liabilities</b>		<b><u>42.253</u></b>	<b><u>43.826</u></b>
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	16		
Related parties with controlling interest	17		
Transactions with related parties	18		
Group relations	19		

## Statement of changes in equity for 2019/20

	<b>Contributed capital EUR'000</b>	<b>Retained earnings EUR'000</b>	<b>Proposed extraordinary dividend EUR'000</b>
Equity beginning of year	5.632	29.457	0
Extraordinary dividend paid	0	0	(1.842)
Profit/loss for the year	0	(752)	862
<b>Equity end of year</b>	<b>5.632</b>	<b>28.705</b>	<b>(980)</b>

	<b>Proposed dividend EUR'000</b>	<b>Total EUR'000</b>
Equity beginning of year	0	35.089
Extraordinary dividend paid	0	(1.842)
Profit/loss for the year	980	1.090
<b>Equity end of year</b>	<b>980</b>	<b>34.337</b>

## Cash flow statement for 2019/20

	<u>Notes</u>	<u>2019/20</u> <u>EUR'000</u>	<u>2018/19</u> <u>EUR'000</u>
Operating profit/loss		1.813	2.769
Amortisation, depreciation and impairment losses		593	327
Other provisions		(35)	(55)
Working capital changes	15	<u>9.147</u>	<u>(449)</u>
<b>Cash flow from ordinary operating activities</b>		<b>11.518</b>	<b>2.592</b>
Financial income received		909	750
Financial expenses paid		(1.128)	(908)
Income taxes refunded/(paid)		<u>(715)</u>	<u>(685)</u>
<b>Cash flows from operating activities</b>		<b><u>10.584</u></b>	<b><u>1.749</u></b>
Acquisition etc of property, plant and equipment		(257)	(108)
Sale of property, plant and equipment		128	93
Acquisition of fixed asset investments		<u>(70)</u>	<u>0</u>
<b>Cash flows from investing activities</b>		<b><u>(199)</u></b>	<b><u>(15)</u></b>
Repayments of loans etc		(340)	0
Dividend paid		<u>(1.842)</u>	<u>0</u>
<b>Cash flows from financing activities</b>		<b><u>(2.182)</u></b>	<b><u>0</u></b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>8.203</b>	<b>1.734</b>
Cash and cash equivalents beginning of year		<u>21.784</u>	<u>20.050</u>
<b>Cash and cash equivalents end of year</b>		<b><u>29.987</u></b>	<b><u>21.784</u></b>

## Notes

### 1. Events after the balance sheet date

The outbreak of coronavirus/COVID-19 has escalated in the beginning of 2020, and WHO has on March 11th 2020 declared the outbreak to be a worldwide pandemic. The outbreak has resulted in a series of precautions, that affects the daily operations, both for the Company, suppliers, customers and other business partners. The economical effect cannot be measured at this time.

No other events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

	<b>2019/20</b>	<b>2018/19</b>
	<b>EUR'000</b>	<b>EUR'000</b>
<b>2. Revenue</b>		
Nordic domestic market	53.479	57.459
Export market	105	135
	<b>53.584</b>	<b>57.594</b>

	<b>2019/20</b>	<b>2018/19</b>
	<b>EUR'000</b>	<b>EUR'000</b>
<b>3. Fees to the auditor appointed by the Annual General Meeting</b>		
Statutory audit services	93	89
	<b>93</b>	<b>89</b>

	<b>2019/20</b>	<b>2018/19</b>
	<b>EUR'000</b>	<b>EUR'000</b>
<b>4. Staff costs</b>		
Wages and salaries	4.835	4.868
Pension costs	398	399
Other social security costs	613	645
Other staff costs	211	254
	<b>6.057</b>	<b>6.166</b>

Average number of employees	<b>70</b>	<b>74</b>
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Pursuant to section 98b(3)(2) of the Danish Financial Statements Act, remuneration to Management has not been separately disclosed.



## Notes

	<b>2019/20</b>	<b>2018/19</b>
	<b>EUR'000</b>	<b>EUR'000</b>
<b>5. Depreciation, amortisation and impairment losses</b>		
Depreciation of property, plant and equipment	593	293
Profit/loss from sale of intangible assets and property, plant and equipment	(3)	34
	<b>590</b>	<b>327</b>
	<b>2019/20</b>	<b>2018/19</b>
	<b>EUR'000</b>	<b>EUR'000</b>
<b>6. Other financial income</b>		
Exchange rate adjustments	908	749
Other financial income	1	1
	<b>909</b>	<b>750</b>
	<b>2019/20</b>	<b>2018/19</b>
	<b>EUR'000</b>	<b>EUR'000</b>
<b>7. Other financial expenses</b>		
Exchange rate adjustments	1.050	837
Other financial expenses	78	71
	<b>1.128</b>	<b>908</b>
	<b>2019/20</b>	<b>2018/19</b>
	<b>EUR'000</b>	<b>EUR'000</b>
<b>8. Tax on profit/loss for the year</b>		
Current tax	545	657
Change in deferred tax	(38)	(92)
	<b>507</b>	<b>565</b>
	<b>2019/20</b>	<b>2018/19</b>
	<b>EUR'000</b>	<b>EUR'000</b>
<b>9. Proposed distribution of profit/loss</b>		
Ordinary dividend for the financial year	980	0
Extraordinary dividend distributed in the financial year	862	0
Retained earnings	(752)	2.047
	<b>1.090</b>	<b>2.047</b>

## Notes

	<b>Goodwill EUR'000</b>
<b>10. Intangible assets</b>	
Cost beginning of year	5.907
<b>Cost end of year</b>	<b>5.907</b>
Amortisation and impairment losses beginning of year	(5.907)
<b>Amortisation and impairment losses end of year</b>	<b>(5.907)</b>
<b>Carrying amount end of year</b>	<b>0</b>

	<b>Land and buildings EUR'000</b>	<b>Other fixtures and fittings, tools and equipment EUR'000</b>	<b>Leasehold improve- ments EUR'000</b>
<b>11. Property, plant and equipment</b>			
Cost beginning of year	3.168	1.317	274
Additions	892	615	0
Disposals	0	(416)	0
<b>Cost end of year</b>	<b>4.060</b>	<b>1.516</b>	<b>274</b>
Depreciation and impairment losses beginning of year	(723)	(847)	(271)
Depreciation for the year	(242)	(350)	(1)
Reversal regarding disposals	0	291	0
<b>Depreciation and impairment losses end of year</b>	<b>(965)</b>	<b>(906)</b>	<b>(272)</b>
<b>Carrying amount end of year</b>	<b>3.095</b>	<b>610</b>	<b>2</b>

	<b>Deposits EUR'000</b>
<b>12. Fixed asset investments</b>	
Cost beginning of year	64
Additions	70
<b>Cost end of year</b>	<b>134</b>
<b>Carrying amount end of year</b>	<b>134</b>

## Notes

### 13. Prepayments

Prepayments comprise prepaid expenses.

### 14. Other provisions

The item includes warranty commitments calculated on the basis of the historical knowledge of warranty expenses.

	<b>2019/20</b>	<b>2018/19</b>
	<b>EUR'000</b>	<b>EUR'000</b>
<b>15. Change in working capital</b>		
Increase/decrease in inventories	9.292	(417)
Increase/decrease in receivables	1.485	854
Increase/decrease in trade payables etc	<u>(1.630)</u>	<u>(886)</u>
	<b><u>9.147</u></b>	<b><u>(449)</u></b>

	<b>2019/20</b>	<b>2018/19</b>
	<b>EUR'000</b>	<b>EUR'000</b>
<b>16. Unrecognised rental and lease commitments</b>		
Liabilities under rental or lease agreements until maturity in total	<u><b>204</b></u>	<u><b>936</b></u>

### 17. Related parties with controlling interest

Related parties with controlling interest in Brother Nordic A/S:

Brother International Europe Ltd., Manchester, United Kingdom

### 18. Transactions with related parties

All transactions with related parties were made on an arm's length basis during the financial year.

### 19. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:  
Brother Industries Ltd., Nagoya, Japan

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:  
Brother International Europe Ltd., Manchester, United Kingdom

## Accounting policies

### Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

### Changes in accounting policies

The Entity has decided to change its accounting policy on recognition of leases.

To better achieve a fair presentation of the Entity's financial position and results, leases are recognised in accordance with the accounting principles of the International Financial Reporting Standard IFRS 16 Leases, effective 1 April 2019. IFRS 16 does not distinguish between operating leases and finance leases but requires the recognition of a lease asset (right-of-use asset) and a lease liability when entering into leases, except for leases with a lease term ending within 12 months (short-term leases) and contracts to lease assets of low value.

### Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

### Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

## Accounting policies

### Income statement

#### Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

#### Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including rental income and gains from the sale of intangible assets and property, plant and equipment.

#### Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

#### Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

#### Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

#### Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

#### Other financial income

Other financial income comprises interest income as well as realised and unrealised exchange gains on payables and transactions in foreign currencies.

#### Other financial expenses

Other financial expenses comprise interest expenses as well as realised and unrealised exchange losses on payables and transactions in foreign currencies.

## Accounting policies

### Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

### Balance sheet

#### Goodwill

Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. The amortisation period is seven years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

#### Property, plant and equipment

Land and buildings, other fixtures and fittings, tools and equipment as well as leasehold improvements are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

Leasehold improvements are recognised if the recoverable amount of the costs is of use to the Company.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	33 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	max. 5 years

Estimated useful lives and residual values are reassessed annually.

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Profits and losses from the sale of property, plant and equipment are calculated as the difference between selling price less selling costs and carrying amount at the time of sale. Profits or losses are recognised in the income statement as an adjustment to depreciation and impairment losses.

#### Inventories

Inventories are measured at the lower of cost, using the average cost formula, and net realisable value. Weighted average prices have been used at the calculation.

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

## Accounting policies

### Receivables

Receivables are measured at amortised cost, usually equalling nominal value, less writedowns for bad and doubtful debts.

### Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

### Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

### Cash

Cash comprises cash in hand and bank deposits.

### Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

### Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

### Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

### Finance lease liabilities

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

## Accounting policies

### Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

### Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase and sale, etc of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, instalments on interest-bearing debt and payment of dividend.

Cash and cash equivalents comprise cash and short-term bank debt.