



## Brother Nordic A/S

Baldershøj 22  
2635 Ishøj  
CVR No. 54034628

## Annual report 01.04.2022 - 31.03.2023

The Annual General Meeting adopted the  
annual report on 31.05.2023

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**John Lars Manelius**  
Chairman of the General Meeting

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# Entity details

## Entity

Brother Nordic A/S

Baldershøj 22

2635 Ishøj

Business Registration No.: 54034628

Registered office: Ishøj

Financial year: 01.04.2022 - 31.03.2023

## Statutory reports on the entity's website

Statutory report on corporate social responsibility: <https://download.brother.com/pub/com/en/csr/pdf/2022/ful-a4-e.pdf>

Statutory report on the underrepresented gender: <https://www.brother.eu/-/media/pdf/nordics/dk/other-documents/knsmssig-fordeling-2023.pdf?la=da-dk&rev=ab25b11a14e8496fbfa63c9ed31f0a48&hash=1C14B99ADA6DE4F6D4C0FCFDE29818E4AA0B878C>

Statutory report on data ethics policy <https://www.brother.dk/privacy-policy>

## Board of Directors

Isao Noji, chairman

John Lars Manelius

Yumiko Iwadare

Yuji Noda

## Executive Board

John Lars Manelius, CEO

## Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

# Statement by Management

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 01.04.2022 - 31.03.2023.

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 31.03.2023 and of the results of its operations and cash flows for the financial year 01.04.2022 - 31.03.2023.

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, 02.05.2023

## Executive Board

**John Lars Manelius**  
CEO

## Board of Directors

**Isao Noji**  
chairman

**John Lars Manelius**

**Yumiko Iwadare**

**Yuji Noda**

# Independent auditor's report

## To the shareholders of Brother Nordic A/S

### Opinion

We have audited the financial statements of Brother Nordic A/S for the financial year 01.04.2022 - 31.03.2023, 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 31.03.2023 and of the results of its operations and cash flows for the financial year 01.04.2022 - 31.03.2023 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 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.

### 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:

- 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.

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, 02.05.2023

**Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR No. 33963556

**Jens Jørgensen Baes**

State Authorised Public Accountant  
Identification No (MNE) mne14956

**Henrik Wolff Mikkelsen**

State Authorised Public Accountant  
Identification No (MNE) mne33747

# Management commentary

## Financial highlights

	2022/23	2021/22	2020/21	2019/20	2018/19
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
<b>Key figures</b>					
Revenue	35,224	29,792	31,064	53,584	57,594
Gross profit/loss	9,467	9,390	9,575	8,463	9,263
Operating profit/loss	3,065	2,867	2,925	1,816	2,770
Net financials	(155)	(130)	(34)	(219)	(158)
Profit/loss for the year	2,159	2,150	2,385	1,090	2,047
Total assets	23,979	24,933	42,214	42,253	43,826
Investments in property, plant and equipment	208	823	646	1,507	108
Equity	16,073	15,848	35,742	34,337	35,089
<b>Ratios</b>					
Gross margin (%)	26.88	31.52	30.82	15.79	16.08
Net margin (%)	6.13	7.22	7.68	2.03	3.55
Return on equity (%)	13.53	8.33	6.81	3.14	6.01
Equity ratio (%)	67.03	63.56	84.67	81.27	80.06

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

### Gross margin (%):

$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$

Revenue

### Net margin (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Revenue}}$

Revenue

### Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

Average equity

### Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Total assets



### 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

Even though availability of supplies got better in 2nd half of the year we still had some production limitations on our most popular products, but even so we succeeded to grow our revenue from Hardware sales by 36%. In May 2022 we sold our Finnish warehouse real estate, which have been rented out for several years.

### Profit/loss for the year in relation to expected developments

The expectation last year, was to have an operation profit in the range of 1 million - 1.5 million €. The expectations were met realizing an operating profit of 3.1 million €.

Operating profit for the year was unexpected good, because of sales growth but also because of much less expenses.

### Uncertainty relating to recognition and measurement

No particular uncertainties are attached to recognition and measurement.

### Outlook

Even though the uncertain economic situation and high inflation we don't see, that it will have a significant impact on our business. On the other hand, we don't expect a huge revenue growth either, even we see an opportunity for a decent growth in some of our product categories. We estimate our revenue to 35 million €. We estimate our profit to be in the range of 1.5 million to 2.5 million €.

### Use of financial instruments

The Company is not subject to any particular business risks.

### Financial exposure

The Company is not materially exposed to foreign exchange risks or changes in the interest levels.

### Knowledge 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 Eco-label.

### 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 John Manelius, Brother Norway, branch of Brother Nordic A/S, Karvesvingen 5, 0579 Oslo, Norway

Country Manager Thomas Björnfalk, 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:

<https://download.brother.com/pub/com/en/csr/pdf/2022/ful-a4-e.pdf>

### **Anti-Corruption**

Brother Group employees are prohibited from engaging in corruption or bribery. Such policies are communicated to all Brother Group employees by posting on the external Brother Industries, Ltd. ("BIL") internet site and on the Brother Group intranet site. Brother Group acknowledges that corruption can be a potential risk for our business, which can harm the trust our customers and suppliers have placed on us, as well as our reputation.

We have not identified any issues in 2022 relating to anti-corruption and will continue our focus in 2023.

### **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 web-site

<https://www.brother.eu/-/media/pdf/nordics/dk/other-documents/knsmsig-fordeling-2023.pdf?la=da-dk&rev=ab25b11a14e8496fbfa63c9ed31f0a48&hash=1C14B99ADA6DE4F6D4C0FCFDE29818E4AA0B878C>

### **Statutory report on data ethics policy**

Brother Nordic's have in place a Secure Information Management policy which objective is to provide the guidance to appropriately maintain information and avoid the risk in the use of information by establishing the system of secure information management in Brother Europe. In addition, it aims to manage and where possible avoid information security risks by establishing systems to manage these and any incidents that may occur. Every system we are using is having a Data Steward and each office is having a compliance manager.

Brother Nordic A/S will actively work to ensure that all information is handled responsibly and accordance with all applicable standards, policies, and laws. This of course also implies that the Brother Nordic A/S strives to conduct its business in an ethical manner acknowledging the increased use and processing of data as an integral part of the Brother Nordic A/S' business.

The Brother Nordic A/S' Data Ethics ambition for 2023 is to continue implementation of the Policy through training and communication.

We have also on our website data protection policy: <https://www.brother.dk/privacy-policy>

Brother Nordic has not prepared a data ethics policy that goes beyond the handling of personal data, as this has no relevance for Brother Nordic. Brother Nordic receives no data from applications or other automatized data, however the Management will keep evaluating the necessity of such policy.

### **Events after the balance sheet date**

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 2022/23

	Notes	2022/23 EUR'000	2021/22 EUR '000
Revenue	2	35,224	29,792
Other operating income		20	240
Cost of sales		(21,679)	(17,113)
Other external expenses	3	(4,098)	(3,529)
<b>Gross profit/loss</b>		<b>9,467</b>	<b>9,390</b>
Staff costs	4	(5,792)	(5,882)
Depreciation, amortisation and impairment losses	5	(610)	(641)
<b>Operating profit/loss</b>		<b>3,065</b>	<b>2,867</b>
Other financial income	6	1,486	659
Other financial expenses	7	(1,641)	(789)
<b>Profit/loss before tax</b>		<b>2,910</b>	<b>2,737</b>
Tax on profit/loss for the year	8	(751)	(587)
<b>Profit/loss for the year</b>	9	<b>2,159</b>	<b>2,150</b>

# Balance sheet at 31.03.2023

## Assets

	Notes	2022/23 EUR'000	2021/22 EUR'000
Goodwill		0	0
<b>Intangible assets</b>	10	<b>0</b>	<b>0</b>
Land and buildings		723	3,037
Other fixtures and fittings, tools and equipment		351	571
Leasehold improvements		0	0
<b>Property, plant and equipment</b>	11	<b>1,074</b>	<b>3,608</b>
Deposits		71	70
<b>Financial assets</b>	12	<b>71</b>	<b>70</b>
<b>Fixed assets</b>		<b>1,145</b>	<b>3,678</b>
Manufactured goods and goods for resale		5,584	4,071
<b>Inventories</b>		<b>5,584</b>	<b>4,071</b>
Trade receivables		2,422	1,581
Receivables from group enterprises		1,819	3,664
Other receivables		159	82
Tax receivable		172	366
Prepayments	13	78	70
<b>Receivables</b>		<b>4,650</b>	<b>5,763</b>
<b>Cash</b>		<b>12,600</b>	<b>11,421</b>
<b>Current assets</b>		<b>22,834</b>	<b>21,255</b>
<b>Assets</b>		<b>23,979</b>	<b>24,933</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2022/23 EUR'000</b>	<b>2021/22 EUR'000</b>
Contributed capital	14	5,632	5,632
Retained earnings		8,501	8,282
Proposed dividend		1,940	1,934
<b>Equity</b>		<b>16,073</b>	<b>15,848</b>
Deferred tax	15	23	61
Other provisions	16	220	220
<b>Provisions</b>		<b>243</b>	<b>281</b>
Lease liabilities		482	758
<b>Non-current liabilities other than provisions</b>	<b>17</b>	<b>482</b>	<b>758</b>
Lease liabilities		370	425
Trade payables		207	319
Payables to group enterprises		2,838	2,391
Other payables		3,766	4,911
<b>Current liabilities other than provisions</b>		<b>7,181</b>	<b>8,046</b>
<b>Liabilities other than provisions</b>		<b>7,663</b>	<b>8,804</b>
<b>Equity and liabilities</b>		<b>23,979</b>	<b>24,933</b>
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	19		
Related parties with controlling interest	20		
Transactions with related parties	21		
Group relations	22		

# Statement of changes in equity for 2022/23

	<b>Contributed capital EUR'000</b>	<b>Retained earnings EUR'000</b>	<b>Proposed dividend EUR'000</b>	<b>Total EUR'000</b>
Equity beginning of year	5,632	8,282	1,934	15,848
Ordinary dividend paid	0	0	(1,934)	(1,934)
Profit/loss for the year	0	219	1,940	2,159
<b>Equity end of year</b>	<b>5,632</b>	<b>8,501</b>	<b>1,940</b>	<b>16,073</b>

# Cash flow statement for 2022/23

	Notes	2022/23 EUR'000	2021/22 EUR'000
Operating profit/loss		3,065	2,867
Amortisation, depreciation and impairment losses		610	669
Other provisions		0	(30)
Working capital changes	18	(1,404)	(719)
<b>Cash flow from ordinary operating activities</b>		<b>2,271</b>	<b>2,787</b>
Financial income received		1,486	659
Financial expenses paid		(1,641)	(789)
Taxes refunded/(paid)		(596)	(904)
<b>Cash flows from operating activities</b>		<b>1,520</b>	<b>1,753</b>
Acquisition etc of property, plant and equipment		(324)	(90)
Sale of property, plant and equipment		2,132	161
<b>Cash flows from investing activities</b>		<b>1,808</b>	<b>71</b>
<b>Free cash flows generated from operations and investments before financing</b>		<b>3,328</b>	<b>1,824</b>
Repayments of loans etc		(215)	(813)
Dividend paid		(1,934)	(22,044)
<b>Cash flows from financing activities</b>		<b>(2,149)</b>	<b>(22,857)</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>1,179</b>	<b>(21,033)</b>
Cash and cash equivalents beginning of year		11,421	32,484
Currency translation adjustments of cash and cash equivalents		0	(30)
<b>Cash and cash equivalents end of year</b>		<b>12,600</b>	<b>11,421</b>
Cash and cash equivalents at year-end are composed of:			
Cash		12,600	11,421
<b>Cash and cash equivalents end of year</b>		<b>12,600</b>	<b>11,421</b>

# Notes

## 1 Events after the balance sheet date

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

## 2 Revenue

	<b>2022/23</b>	<b>2021/22</b>
	<b>EUR'000</b>	<b>EUR'000</b>
Nordic domestic market	34,946	29,637
Export market	278	155
<b>Total revenue by geographical market</b>	<b>35,224</b>	<b>29,792</b>
Sale of hardware	23,571	16,834
Sale of consumables	3,126	2,323
Commission relating to consumables	8,527	10,635
<b>Total revenue by activity</b>	<b>35,224</b>	<b>29,792</b>

## 3 Fees to the auditor appointed by the Annual General Meeting

	<b>2022/23</b>	<b>2021/22</b>
	<b>EUR'000</b>	<b>EUR'000</b>
Statutory audit services	97	105
Other services	31	15
	<b>128</b>	<b>120</b>

## 4 Staff costs

	<b>2022/23</b>	<b>2021/22</b>
	<b>EUR'000</b>	<b>EUR'000</b>
Wages and salaries	4,585	4,693
Pension costs	378	381
Other social security costs	619	636
Other staff costs	210	172
	<b>5,792</b>	<b>5,882</b>
Average number of full-time employees	62	64

Pursuant to section 98b(3)(2) of the Danish Financial Statements Act, remuneration to Management has not been separately disclosed.



## 5 Depreciation, amortisation and impairment losses

	2022/23 EUR'000	2021/22 EUR'000
Depreciation of property, plant and equipment	531	669
Profit/loss from sale of intangible assets and property, plant and equipment	79	(28)
	<b>610</b>	<b>641</b>

## 6 Other financial income

	2022/23 EUR'000	2021/22 EUR'000
Exchange rate adjustments	1,480	659
Other financial income	6	0
	<b>1,486</b>	<b>659</b>

## 7 Other financial expenses

	2022/23 EUR'000	2021/22 EUR'000
Exchange rate adjustments	1,613	706
Other financial expenses	28	83
	<b>1,641</b>	<b>789</b>

## 8 Tax on profit/loss for the year

	2022/23 EUR'000	2021/22 EUR'000
Current tax	789	587
Change in deferred tax	(38)	0
	<b>751</b>	<b>587</b>

## 9 Proposed distribution of profit and loss

	2022/23 EUR'000	2021/22 EUR'000
Ordinary dividend for the financial year	1,940	1,934
Retained earnings	219	216
	<b>2,159</b>	<b>2,150</b>

## 10 Intangible assets

	Goodwill EUR'000
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>

## 11 Property, plant and equipment

	Land and buildings EUR'000	Other fixtures and fittings, tools and equipment EUR'000	Leasehold improvements EUR'000
Cost beginning of year	4,304	1,577	274
Additions	100	108	0
Disposals	(3,168)	(317)	0
<b>Cost end of year</b>	<b>1,236</b>	<b>1,368</b>	<b>274</b>
Depreciation and impairment losses beginning of year	(1,267)	(1,006)	(274)
Depreciation for the year	(243)	(288)	0
Reversal regarding disposals	997	277	0
<b>Depreciation and impairment losses end of year</b>	<b>(513)</b>	<b>(1,017)</b>	<b>(274)</b>
<b>Carrying amount end of year</b>	<b>723</b>	<b>351</b>	<b>0</b>
Recognised assets not owned by entity	723	127	0

## 12 Financial assets

	Deposits EUR'000
Cost beginning of year	70
Additions	1
<b>Cost end of year</b>	<b>71</b>
<b>Carrying amount end of year</b>	<b>71</b>

## 13 Prepayments

Prepayments comprise prepaid expenses.

## 14 Share capital

The share capital consists of 420 shares with a nominal value of EUR'000 13.41 with a total recorded value of EUR'000 5,632.

## 15 Deferred tax

	2022/23 EUR'000	2021/22 EUR'000
<b>Changes during the year</b>		
Beginning of year	61	61
Recognised in the income statement	(38)	0
<b>End of year</b>	<b>23</b>	<b>61</b>

## 16 Other provisions

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

**17 Non-current liabilities other than provisions**

	<b>Due after more than 12 months 2022/23 EUR'000</b>
Lease liabilities	482
	<b>482</b>

Lease liabilities that are due after 5 years, amount to 0 EUR.

**18 Changes in working capital**

	<b>2022/23 EUR'000</b>	<b>2021/22 EUR'000</b>
Increase/decrease in inventories	(1,514)	(1,508)
Increase/decrease in receivables	919	(1,936)
Increase/decrease in trade payables etc	(809)	2,725
	<b>(1,404)</b>	<b>(719)</b>

**19 Unrecognised rental and lease commitments**

	<b>2022/23 EUR'000</b>	<b>2021/22 EUR'000</b>
Liabilities under rental or lease agreements until maturity in total	240	218

**20 Related parties with controlling interest**

Related parties with controlling interest in Brother Nordic A/S:  
Brother International Europe Ltd., Manchester, United Kingdom

**21 Transactions with related parties**

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

**22 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).

The accounting policies applied to these financial statements are consistent with those applied last year.

## 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.

## 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.

Revenue from commission is recognised in the income statement when delivery is made and risk has passed to the buyer. Commission 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, and 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.

**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, plant and machinery, and other fixtures and fittings, tools and equipment 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:

	<b>Useful life</b>
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 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.

### **Receivables**

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

### **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 liabilities 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 liabilities 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.

**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, and 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 taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and purchase, development, improvement 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, and the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.