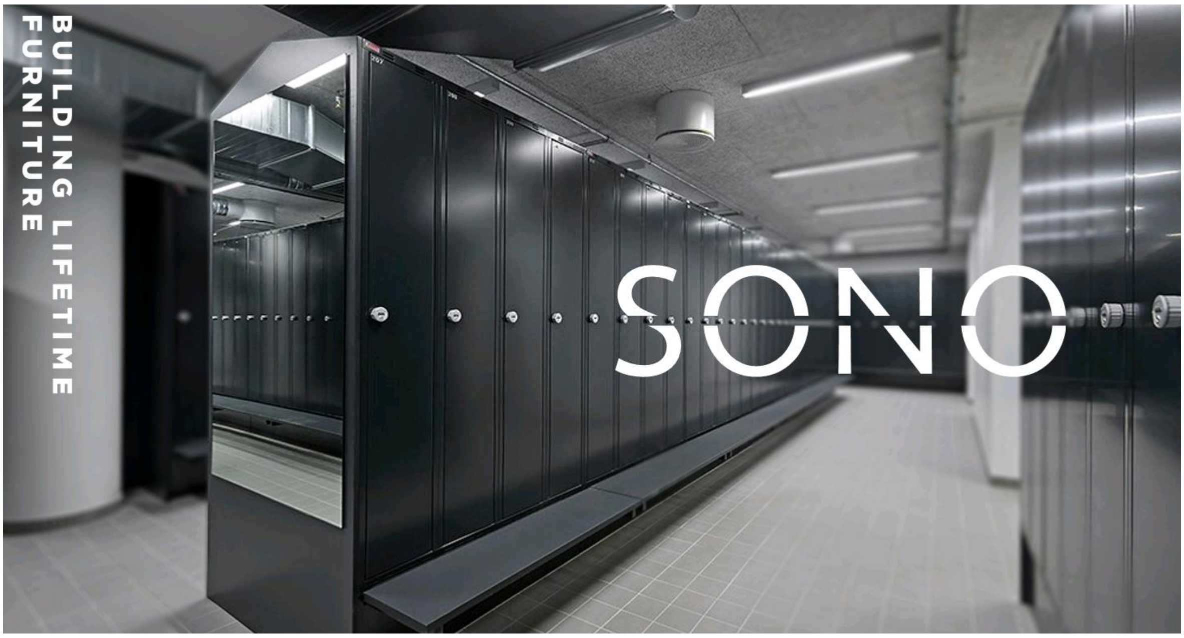
ANNUAL REPORT 2019



North Investment Group AB (publ)

BOARD OF DIRECTORS’ REPORT FOR NORTH INVESTMENT GROUP

The Board of Directors and CEO of North Investment Group AB (publ), corp. ID no. 556972-0468, with registered office in Tranås, hereby submits the annual report and consolidated accounts for 2019. Unless otherwise stated, the report is presented in thousand Swedish kronor (SEK). Amounts in parentheses refer to the previous year.

OPERATIONS

Sono Group is the leading Scandinavian supplier of quality furniture and wardrobe solutions for schools, offices and industry. North Investment Group AB (publ.) is the parent company in the group Sono Group, which name comes from the operations common trade mark Sono.

Sono Group can offer its customers the broadest product range in the industry and offer its own proprietary brands such as Alnäs, Form o Miljö, GBP, Sarpsborg Metall, Sonesson indredningar and Tranås Skolmöbler. Sono Group´s core competence and competitive advantage is development and sourcing of products from an extensive network of several hundred qualified manufacturers in Europe and Asia. The operations consists of the business areas Sono Sweden and Sono Norway.

Sono Sweden is one of Scandinavia's leading groups for developing, production and selling ergonomic workplace solutions, furniture for schools and pre-schools, industry- and constructionbusinesses, as well as public offices and health care. Sono Norway is one of Scandinavia's leasing groups for selling of furniture for offices, industry- and constructionbusinesses, sport and leasure as well as public offices and health care.

Legal structure

Sono Group consist of parent company North Investment Group AB (publ.) and its fully owned daughter companies. For detailed information, see note 12.

Segment

Sono Sweden consists of the Swedish companies Sonesson Inredningar AB, Form o Miljö Sweden AB, Sono Brands AB, Ergoff Miljö AB, GBP Ergonomics AB, Sono Sweop AB, Alnäs Möbelfabrik AB, NIG Sverige AB, SONO Sverige AB and the Norwegian company Bredmyra Møbler AS.

Sono Norway consists of the Norwegian companies Sono Holding Norge AS, Sarpsborg Metall AS, Sono Norge AS, Scandinavian Storagegroup AS, Sørlie Prosjektinnredninger AS and Sono Norop AS. In addition consists the Swedish company Sarpsborg Metall AB, the Danish companies Sono Denop ApS and Sono Danmark A/S, and NIG IPO Ltd in Hong Kong the Norwegian segment.

NET SALES AND RESULTS

Net sales were SEK 912 (746) million and EBITDA was SEK 61 (89) million in 2019 for the Group. The order intake was SEK 862 (748) million, an increase of 15.2% compared to 2018. The Groups EBIT was SEK 20.5 (46.7) million and the net result was SEK -24.1 (17.4) million. The Groups gross margin in 2019 was 38.1% (40.4%). The gross margin is defined as the difference between net sales and direct cost inclusive direct wages. The main cause to the decreased gross margin is the acquisition of Sørlie Prosjektinnredninger AS, that has somewhat lower gross margin than group average. The negative difference between foreign currency loss in 2019 and 2018 is SEK 7.6 million.

The split between the groups different segment was as follows; Sono Norway generated net sales of SEK 464.1 (279.3) million and EBITDA of SEK 38.8 (44.5) million during the year, while Sono Norway generated net sales of SEK 470.1 (489.7) million and EBITDA of SEK 24.1 (45.0) million.

SIGNIFICANT EVENTS DURING THE YEAR

In January 2019 Sørlie Prosjektinnredninger AS was acquired by the Group. 2019 has been used to integrate the company more to the rest of the Group. The sale has been overall good, but the sale of school furniture in Sweden has been at a lower level than normal. We believe that this is a temporary decrease in this market and that our broad portfolio and strong trademarks will make possible a quick recovery when the market turns positive again. In September Ole Vinje joined as new CEO of the Group. The bonds that was listed in First North in September 2018 was listed on Nasdaq exchange in September 2019.

In October 2019 the Group launched a cost reduction programme (Trim 2020) to reduce cost of approximately SEK 25 mill for 2020. The Group has also rebranded to Sono Group with a new website for the Group. Furthermore; a new 3 years strategy was presented focusing on building a strong culture, increase digitalization, develop the Group's brands and focus on long term profitability.

SHAREHOLDERS

The company was owned 88.6% by Frigaardgruppen AS, corp. ID no. 913 260 740, with registered office in Sarpsborg, Norway. The consolidated financial statements for the group as a whole are prepared by Soland Invest AS, corp. ID no. 987 521 465, with registered office in Sarpsborg, Norway. A description of the ownership of the company at the balance sheet date is found in Note 23.

The remaining shareholders each hold less than 10 per cent of the company.

THREE-YEAR SUMMARY

SONO GROUP

Three-year summary for the group:

(SEK million)	2019	2018	2017
Net sales	899.2	735.3	733.0
Profit/loss after net financial income (expense)	-25.2	19.9	-21.2
Total assets	813.3	795.6	658.2
Equity/assets ratio (%)	6.7%	6.2%	7.5%
Number of employees	268	245	293

INVESTMENTS AND CASH FLOWS

Gross investments in intangible assets totalled SEK 44.0 million and referred mostly to investment in Sørlie Prosjektinnredninger AS. Gross investments in property, plant and equipment (equipment) totalled SEK 3.0 million.

ENVIRONMENT

In one of its subsidiaries, Sono Sweden is engaged in activities that are notifiable to the local authority. The notification requirement refers to manufacturing activities in a 5,000 sq.m space for the manufacture and painting of storage units, school furniture and ergonomic workplace furniture. The activities affect the external environment mainly through emissions from boiler, processing of metals and water-based degrease of steel to air, and emission from surface treatment of wood and steel to water. In the production process it is used powder and organic solvent. The activities that are notifiable to the authorities is less than 10% of the company's activities. The emissions are below the levels approved by the authorities. Sono Norway is not engaged in notifiable activities.

RESEARCH AND DEVELOPMENT

The group is not engaged in research and development activities other than continued development of existing sales and ERP systems and products.

USE OF FINANCIAL INSTRUMENTS

The group uses derivatives held for trading in the form of currency swaps. These are measured at fair value. The group had no outstanding currency swaps at the end of the reporting periods. The Group used to a very small extent currency swaps in only one company and under a limited period in 2019.

The group has long-term borrowings, which are measured at amortised cost.

EMPLOYEES

The group had an average of 268 employees, of whom 32 per cent were women. Around 63 per cent of the employees are employed in Sweden.

SONO GROUP

SIGNIFICANT RISKS AND UNCERTAINTIES

The group's operations are exposed to various types of financial risk – currency risk, interest rate risk, refinancing risk and general liquidity risk. Interest rate risks are considered to be limited. The group's currency risk and liquidity risk have increased in the past few years due to a higher share of imported goods. The group uses a multi-currency group account structure to control the use of EUR and USD. At 31 December, the group had no open forward contracts. For further information, see note 3.

EVENTS AFTER THE END OF THE PERIOD

The outbreak of the Coronavirus/COVID-19 has escalated in the beginning of 2020 and WHO declared 11. March 2020 the outbreak as a global pandemic. The outbreak has led to a number of safety-measures that affects our business and the daily operations, in the same manner as for our suppliers and customers. At the time of writing we see a certain negative effect on our net sales, mostly in the Norwegian segment but also somewhat in the Swedish. We are monitoring the development thoroughly and will initiate necessary measures as we go. Deliveries of goods are following the plan from our suppliers, as well as to our customers. We have started with temporary reduction of working hours for most of our employees in all countries. We have also increased the activity in our digital channels. In addition to this, we have a thorough follow-up on our liquidity, which so far follows the plan.

Other than the above, there are no changes to important aspects or occurred significant effects after the end of the accounting period that affects the financial statement.

OUTLOOK FOR 2020

The outlook for our main markets remains positive, although more insecure than earlier, for the whole year 2020. The Covid-19 outbreak will most likely affect some of our selling companies negatively during the second quarter. The effects are relatively small and depending of the length of the outbreak in our markets, we will likely have a positive effect in the second half year since the investments has to some extent been delayed. The measures we have taken (see previous chapter) are likely to prevent that the reduction in net sales will not affect EBITDA in a big extent. Given the insecure situation at the time there is not possible to estimate the full effect and all estimates are highly insecure.

In Norway and Denmark, we see no negative signals so far, while we in Sweden see that the growth has reduced somewhat compared to one year ago. We are confident that our cost reductions approach in these markets will ensure our profitability in 2020.

When looking at the trends we see a more challenging market related to office furniture with an increased pressure on the margins in this part of our business. Our footprint in this market is still quite small. The Swedish municipalities still have limited opportunities to make the necessary investments in their schools, which might impact negatively on our business, within the school market.

The Board of Directors is pleased with the cost reduction programs and digitalization projects initiated by Ole Vinje. The focus in the short term will be to increase profitability through improved effectivity and organic growth. In the short term we will not focus on new acquisitions.

The Group has prepared a three years strategy where focus is to develop to a more unified group, focus more on product brands, and to develop a stronger company culture across companies and borders.

APPROPRIATION OF RETAINED EARNINGS

The Board of Directors proposes the following appropriation of retained earnings (Swedish kronor):

Retained earnings	29 876 582
Issue of share capital	24 524 598
This years loss	- 20 592 037
Appropriations	33 809 143

SONO GROUP

CORPORATE GOVERNANCE REPORT 2019

Principles for corporate governance report

The Corporate Governance Report for North Investment Group AB (publ) are prepared according to the Swedish law for annual statement. The Swedish code of corporate governance is not applied.

Ownership

North Investment Group AB (publ) is the parent company in the Group. The company is owned 88.6% by Frigaardgruppen AS, org.no: 913 260 740, registered in Sarpsborg, Norway. The financial statement for the whole group are prepared in the company Soland Invest AS, org.no: 987 521 465, registered in Sarpsborg, Norway. None of the other share owners' controls, directly or indirectly, more than 10% of the shares in the company. Detailed description of ownership at the balance date can be found in note 23. Each share owner can give one vote for each share at the shareholders meeting. The company are not familiar with any limitations in voting rights.

Shareholder meeting

The company's highest decision organ is the shareholder meeting, where the shareholders carry out its influence. In the parent company the shareholders meeting shall be held on an annual basis, no later than six months after the end of the accounting year. On the shareholders meeting the share holders decides i.e. the financial statements for the parent company and the group, appropriation of the results, as well as discharge for the board members and CEO. It is also the shareholders meeting that elects the board and the director of the board, as well as elect the auditor and decides the renumeration to the board and other senior executive directors. The shareholders meeting has not given authority to the board to decide if the company shall issue or acquire new shares.

The parent company held its shareholders meeting 13th May 2019. At the meeting 11 shareholders attended, which is 100% of the votes.

Articles of associations

The parent company's articles of associations stipulates that the board shall consist of minimum three and maximum five ordinary board members and maximum three substitutes. The articles of associations have no articles that deviates from the Swedish limited company act.

The board

The board has according to the Swedish limited company act the overall responsibility for the group's organization and management, as well as control over that the accounting and financial relationship are sufficient. It is the boards that decides regarding the groups strategy and policies, as well as what overall goals that shall be the target. It is also the board that decides the groups financing, acquisitions, disposals and investments. In addition to the general task for the board set forth in the Swedish limited company act, the boards also decide each year the boards procedures and a work instruction for the CEO. The boards procedures contain amongst other things rules regarding the board's responsibility and tasks as well as how they shall be delegated, that the board normally shall meet four times per year and what shall be discussed on the respective meetings. During 2019 four board meetings where held. The work instruction for the CEO contains mainly the division of assignments and responsibility between the board and CEO, as well as instructions related to internal reporting to the board.

The parent company's board consists of three board members elected by the shareholders meeting and the extraordinary shareholders meeting; Helge Stemshaug (director of the board), Trond Frigaard and Mads Langaard. Mads has during 1st quarter of 2020 replaced former board member Ellen Hanetho that was part of the board during the whole 2019.

Committee

The parent company's audit committee, same as the board, is responsible for prepare, follow up and assess questions related to the financial reporting, audit of the financial statement, and review and surveillance of the auditor impartiality and independence.

Senior executives

The CEO for Sono Group is responsible to lead and develop the operations according to those guidelines and regulations that the board has decided, primarily through the written work instruction for CEO that yearly is decided by the board.

The CEO decides on his own the groups internal organization, and appoints the senior management. For bigger organizational changes shall the CEO collect the boards view on the matter.

Sono Groups senior management consists of Ole Vinje (CEO), Tore Skedsmo (CFO), Henrik Ingvarsson (CIO), Hans Petter Borge (CPO), Torleif Tokle (COO Sono Norway), Mathias Fogde (COO Sono Sweden) and Andreas Nilsson (COO Sono Sweden).

The CEO leads the senior managements work and make decisions together with the other management. The senior management meets at least twelve times per year to follow up on the operations and discuss group matters, as well as propose new strategic plans and budgets that the CEO then prepares for the board to decide.

Members of the senior management has created local management groups in their respective segments, Sono Norway and Sono Sweden, that meets quarterly. Quarterly business reviews are held for the respective companies within the segment. These forums are used for financial follow-up, business development and strategic questions on segment level.

Internal control and risk management

The internal control overall goal is to a reasonable extent make sure that the company and the group's operational strategies and goals are followed up and that the owner's investments are protected. The internal control shall further make sure that the external financial reporting with reasonable assurance is correct and according to general accepted accounting standards, that laws and regulations are followed, together with regulations related to listed companies. As a tool for the internal control there exists internal instructions, routines, systems, as well as a clear description of responsibilities both between the board and CEO, and within the operational activities. Policies and routines are documented and assessed on a regular basis.

Routines and activities have been developed to handle and reduce material risks that are related to the financial reporting. The operative management does monthly follow-ups and analysis together with respective business manager based on the executive management defined operative and financial key performance indicators. These reports are consolidated for the group and analyzed and followed up by the CEO, CFO and finally the board. The analyses of the key performance indicators are done towards budget, prognosis and previous year's outcome.

The group's material risks and uncertainties includes business risks such as high exposure to certain markets and financial risks. Financial risks such as currency-, interest-, financing- and liquidity risks is mainly handled centrally by the group's finance function.

CONSOLIDATED INCOME STATEMENT

All amounts in SEK thousand	Note	Jan-Dec 2019	Jan-Dec 2018
Revenue	5,6	899 207	735 265
Other operating revenue	6	12 444	11 147
Total operating revenue		**911 651**	**746 412**
Cost of goods sold		(529 470)	(411 192)
Other external cost	7,9	(92 172)	(68 211)
Salaries and personnel expense	8,27	(214 726)	(169 623)
Other operating expense	9	(14 364)	(8 674)
EBITDA		**60 919**	**88 712**
Depreciation and amortization expense	14,15,17	(40 420)	(42 034)
Operating profit		**20 499**	**46 678**
Interest income and similar	10,11	2 038	1 054
Interest expense and similar	10,11	(47 780)	(27 813)
Net financial income (expenses)		**(45 742)**	**(26 759)**
Profit before income tax		**(25 243)**	**19 919**
Income taxes	13	1 143	(2 490)
Net profit for the period		**(24 100)**	**17 429**

Consolidated statement of comprehensive income

Items that may be reclassified subsequently to income statement		
Translation differences on net investment in foreign operations	4 422	4 026
Items that will not be reclassified to income statement		
Remeasurement of defined benefit pension plans	(4 861)	(944)
Income taxes	1 001	195
Other comprehensive income (loss), net of taxes	562	3 276
Total comprehensive income	**(23 538)**	**20 705**

Total comprehensive income attributable in full to

equity holders of North Investment Group AB (publ)

CONSOLIDATED BALANCE SHEET

All amounts in SEK thousand

ASSETS	Note	2019 31.Dec	2018 31.Dec
Software, licences, etc.	15	5 321	5 029
Goodwill	15	246 004	200 675
Total intangible assets		**251 325**	**205 704**
Right of use assets	17	218 902	214 343
Land, buildings and other property	14	1 246	894
Machinery and plant	14	1 195	4 601
Office machinery, equipment and similar	14	3 461	2 693
Total property, plant and equipment		**224 804**	**222 531**
Other long term receivables		121	187
Total non-current financial assets		**121**	**187**
Deferred tax receivables	13	40 352	37 875
TOTAL NON-CURRENT ASSETS		**516 602**	**466 296**
Inventories			
Raw materials	19	17 473	10 662
Work in progress	19	6 661	6 832
Finished products	19	65 392	54 689
Advance payments to suppliers	19	96	1 263
Total inventories		**89 622**	**73 446**
Accounts receivables	18	105 479	91 682
Other short term receivables	20	11 415	11 346
Tax recoverables		1 106	1 401
Prepaid expenses and accrued income	21	9 739	12 348
Cash and cash equivalents	22	79 303	139 082
Total receivables		**207 042**	**255 859**
TOTAL CURRENT ASSETS		**296 664**	**329 305**
TOTAL ASSETS		**813 266**	**795 601**

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CONSOLIDATED BALANCE SHEET

All amounts in SEK thousand

EQUITY AND LIABILITIES	Note	2019 31.Dec	2018 31.Dec
Share capital	23	105 619	100 909
Other reserves		-11 871	-11 871
Retained earnings		-38 942	-39 929
Equity attributable to majority shareholders		**54 806**	**49 109**
Bonds	25	315 836	310 599
Pension liabilities	28	31 094	31 944
Other provisions		4 638	1 487
Non-current Lease liabilities	17	203 543	224 075
Total non-current liabilities		**555 111**	**568 105**
Liabilities to financial institutions		504	37
Current lease liabilities	17	49 613	37 633
Prepayments from customers		3 077	1 196
Accounts payable		66 834	75 794
Tax payable		119	484
Other short-term liabilities		32 356	28 052
Accrued expenses and deferred income	26	50 846	35 191
Total current liabilities		**203 349**	**178 387**
TOTAL EQUITY AND LIABILITIES		**813 266**	**795 601**

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GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent company			Total equity
		Other Equity		
All amounts in SEK thousand	Share capital	Other Equity	Retained earnings	
Equity as at 01.01.2018	**100 909**	**(11 972)**	**(39 638)**	**49 299**
Comprehensive income				
Profit for the period			17 429	**17 429**
Other comprehensive income				
Items that will not be reclassified in profit or loss				
Actuarial loss on pension obligations			(944)	**(944)**
Items that may be reclassified in profit or loss				
Translation difference, net assets in foreign currency		101	3 924	**4 025**
Deffered tax			195	**195**
Total comprehensive income	-	101	20 604	**20 705**
Withdrawal of shares including share premium				
Liquidation of daughter company			270	**270**
Group Contribution			(11 421)	**(11 421)**
Dividends			(9 744)	**(9 744)**
Total shareholders transactions	-	-	(20 895)	**(20 895)**
Equity as at 31.12 2018	**100 909**	**(11 871)**	**(39 929)**	**49 109**
Equity as at 01.01 2019	100 909	(11 871)	(39 929)	**49 109**
Profit for the period			(24 100)	**(24 100)**
Items that will not be reclassified in profit or loss				
Issue of share capital	4 710		24 524	**29 234**
Actuarial loss on pension obligations			(4 861)	**(4 861)**
Items that may be reclassified in profit or loss				
Translation difference, net assets in foreign currency		-	4 422	**4 422**
Deffered tax			1 001	**1 001**
Total comprehensive income	**4 710**	-	987	**5 697**
Total shareholders transactions			-	**-**
Equity as at 31.12 2019	**105 619**	**(11 871)**	**(38 942)**	**54 806**

CONSOLIDATED CASH FLOW STATEMENT

All amounts in SEK thousand

	1 Jan 2019 - 31 Dec 2019	1 Jan 2018 - 31 Dec 2018
Cash flows from operations		
Profit/(loss) before income taxes	(25 243)	19 919
Taxes paid in the period	(1 705)	-
Net (gains) losses from disposals of assets	52	-
Depreciation	40 420	42 002
Other adjustments	(5 710)	(4 454)
Currency (gains) losses not related to operating activities	736	(1 288)
Net cash flow from operations before changes in working capital	**8 550**	**56 179**
Change in inventory	(11 322)	(5 405)
Change in trade debtors	15 542	(5 654)
Change in trade creditors	(19 672)	12 487
Change in other provisions	17 493	(5 651)
Net cash flow from operations	**10 591**	**51 956**
Cash flows from investments		
Purchase of intangible assets	(1 938)	(2 436)
Purchase of fixed assets	(2 641)	(1 834)
Purchase of subsidiaries	(50 216)	-
Change in other short- and longterm investments	55	(853)
Net cash flows from investments	**(54 740)**	**(5 123)**
Cash flow from financing		
Issue of share capital	29 233	-
Net change in credit line	881	(44 046)
Proceeds from long term loans	-	310 624
Repayment of borrowings	-	(124 386)
Repayment of lease liabilities	(46 442)	(36 909)
Dividends paid to equity holders of NIG AB	-	(24 577)
Other transactions	-	270
Net cash flow from financing	**(16 328)**	**80 976**
Net change in cash and cash equivalents	**(60 477)**	**127 809**
Cash and cash equivalents at the beginning of the period	139 082	11 022
Exchange rate differences in cash and cash equivalents	698	251
Cash and cash equivalents at the end of the period	**79 303**	**139 082**

SONO GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 General information

North Investment Group AB (publ) (NIG), corp. ID no. 556972-0468 is a limited company with registered office in Tranås, Sweden. The address of the head office is North Investment Group AB (publ), Box 196, 573 22 Tranås, Sweden.
These consolidated financial statements were approved for publication by the Board of Directors on 23 April 2020.

Unless otherwise stated, all amounts are expressed in thousands of Swedish kronor (kSEK).

Note 2 Summary of key accounting policies

The note contains a list of significant accounting principles that have been applied in preparing these consolidated financial statements. Unless otherwise stated, these principles have been applied consistently for all the years presented. The consolidated financial statements comprise the legal parent company North Investment Group AB (publ) and its subsidiaries.

Basis of preparation of financial statements
The consolidated financial statements of the Sono Group have been prepared in accordance with the Swedish Annual Accounts Act, Recommendation RFR 1 *Supplementary Financial Reporting Rules for Corporate Groups* of the Swedish Financial Reporting Board, the International Financial Reporting Standards (IFRS) and the interpretations of the IFRS Interpretations Committee (IFRS IC), as adopted by the EU.

The consolidated financial statements have been prepared using the cost method, with the exception of:

- derivatives (currency swaps), which are measured at fair value through profit or loss.

The preparation of financial statements in compliance with IFRS requires the use of critical accounting estimates. Management is also required to make certain judgements in applying the group's accounting principles. Areas which involve a high degree of judgement, are complex or where assumptions and estimates have a material impact on the consolidated financial statements are described in notes.

New and amended standards that have not yet been applied by the group

As of 1st January 2019 the following new standards and interpretations applicable:

- IFRIC 23 "Uncertainty over income tax treatments"

The interpretation explains how to account and measure deferred and current tax assets and liabilities when there is uncertainty regarding tax treatment. The interpretation has not had any material effect on Sono Group financial reporting.

In addition to the above mentioned; the new and changed standards and interpretations that are relevant for North Investment Groups are in certain cases already in line with the applied interpretations and in other cases not had any effects or very limited effects on the financial reporting.

The below mentioned new standards and interpretations is effective for accounting year starting 1st January 2020.

- Changes in IFRS 3 "Business combinations", effective from 1st January 2020
- Changes in the conceptual framework to IFRS standards, effective from 1st January 2020
- Changes in IAS 1 and IAS 8, "Definition of material", effective from 1st January 2020
- Changes in IAS 1 "Classification of Liabilities as Current or Non-current", effective from 1st January 2022

None of the above mentioned standards has been applied when preparing this financial statement, as they are not expected to have any material effect on the group's financial statement.

New standards and interpretations applied by the Group

IFRS 16 was applicable from 1 January 2019 but has been applied early (as of 1st January 2017) by the group.

Consolidation

(a) Subsidiaries

All entities over which the group has control are classified as subsidiaries. The group controls an entity when it is exposed to or has the right to a variable return on its investment in the entity and is able to influence the return through its interest in the entity. Subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the group. They are excluded from the consolidated financial statements from the date when control is lost.

The purchase method is applied in accounting for the group's business combinations. The consideration paid for the acquisition of a subsidiary comprises the fair value of the transferred assets and liabilities incurred by the group to previous owners of the acquired entity. Identifiable assets acquired and liabilities assumed in a business combination are initially measured at fair value at the acquisition date. Goodwill refers to the amount by which the transferred consideration and any non-controlling interest in the acquired entity exceed the fair value of identifiable acquired net assets.

Acquisition-related costs are expensed as incurred. Intercompany transactions and balances, and unrealised gains and losses on transactions between group companies are eliminated. Where applicable, the accounting principles for subsidiaries have been amended to guarantee a consistent application of the group's principles.

Segment reporting

Operating segments are accounted for in a way that is consistent with the internal reports submitted to the chief operating decision maker. The chief operating decision maker is the function that is responsible for allocating resources and assessing the results of operating segments. Sono Group's Chief Executive Officer is the group's chief operating decision maker. The group has identified two operating segments: Sono Sweden and Sono Norway.

Translation of foreign currency

(i) Functional currency and reporting currency

The various entities in the group have the local currency as their functional currency, as the local currency has been defined as the currency of the primary economic environment in which each entity operates. Swedish kronor (SEK), the functional and reporting currency of the parent company and group, are used in the consolidated financial statements.

(ii) Transactions and balances
Transactions in foreign currency are translated to the functional currency at transaction date exchange rates. Foreign exchange gains and losses arising from such transactions and on translation of monetary assets and liabilities in foreign currency at closing rates are recognised in the statement of comprehensive income.

Foreign exchange gains and losses attributable to loans, and cash and cash equivalents are accounted for in the statement of comprehensive income as financial income or financial expense. All other foreign exchange gains and losses are recognised in the items other operating expenses and other operating income in the statement of comprehensive income.

(iii) Translation of foreign group companies
Results and financial position for all group companies that have a different functional currency than the reporting currency are translated to the group's reporting currency. Assets and liabilities for each balance sheet are translated from the functional currency of the foreign operation to the group's reporting currency, Swedish kronor, at the closing rate. Income and expenses for each of the income statements are translated to Swedish kronor at the average exchange rate at each transaction date. Translation differences arising on translation of foreign operations are recognised in other comprehensive income. The cumulative amount of gains and losses is recognised in profit or loss when the foreign operation is wholly or partially disposed of. Goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities in this operation and translated at the closing rate.

Recognition of revenue

The group's principles for recognition of revenue from contracts with customers are described below.

(i) Sales of goods

The group manufactures and sells interior design solutions for the school, office, industrial and construction, sport and leisure, and public environment and care sectors. Most of the group's customers are from the public sector. Sales of products are recognised as revenue when control of the goods is transferred, which occurs when risks and rewards are transferred to the customer in accordance with the applicable delivery terms.

The products are mainly sold under an arrangement in which most discounts are deducted directly in the price list. In a few cases, products are sold with volume discounts based on cumulative sales over a twelve-month period. Revenue from the sale of furniture is recognised based on the price in the contract less estimated volume discounts. Historical data is used to estimate the expected value of discounts and revenue is recognised only to the extent that it is highly probable that a significant reversal will not occur. A liability is recognised for expected volume discounts relative to sales up to and including the balance sheet date.

No significant financing component is considered to exist at the time of sale, as the credit period is normally 30 days.

The group's obligation to repair or replace defective instruments in accordance with normal warranty rules is accounted for through provisions.

(ii) Interest income
Interest income is recognised using the effective interest method.

Leases
The group leases warehouse-and office-type premises as well as production premises in Tranås. The group only acts as lessee. The leases are recognised as right-of-use assets with corresponding liabilities on the day when the leased asset is available for use by the group. Each lease payment is apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is amortised on a straight-line basis over the shorter of the asset's useful life and the lease term.

Assets and liabilities arising from leases are initially stated at present value.

Lease liabilities include the present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be payable by the lessee to the lessor under residual value guarantees;
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising the option to terminate the lease.

Lease payments are discounted using the interest rate implicit in the lease, but if this cannot be determined then the lessee's incremental borrowing rate is used.

Right-of-use assets are measured at cost, which includes the following:
- the amount of the initial measurement of the lease liability;

- any lease payments made at or before the commencement date, less any lease incentives received;
- initial direct costs; and
- costs to be incurred in restoring the asset to the condition required by the terms and conditions of the lease.

Payments for short-term leases and leases of low-value assets are expensed on a straight-line basis in the statement of comprehensive income. Short-term leases are leases with a term of twelve months or less.

Current and deferred income tax

The tax expense for the year comprises current tax calculated on the taxable profit for the year at the applicable tax rates. The tax expense for the year is adjusted for changes in deferred tax assets and liabilities arising from temporary differences and unused tax losses.

The current tax expense is calculated based on the tax rules that have been enacted or substantively enacted at the balance sheet date in those countries where the parent company and its subsidiaries operate and generate taxable revenue. Management regularly evaluates claims made in tax returns which relate to situations where the applicable tax rules are subject to interpretation and, where this is deemed appropriate, makes provisions for amounts that will probably be payable to the tax authority.

Deferred tax is recognised for all temporary differences between the carrying amounts and tax bases of assets and liabilities in the consolidated financial statements. A deferred tax liability is not recognised if it is incurred as a result of initial recognition of goodwill. Deferred tax is also not recognised if it is incurred as a result of a transaction which constitutes the initial recognition of an asset or liability that is not a business combination and which at the time of the transaction affects neither the accounting profit nor the tax profit. Deferred income tax is calculated by applying tax rates (and tax laws) that have been enacted or announced at the balance sheet date and that are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be wholly or partially offset.

Deferred tax assets and liabilities are offset when there is a legally enforceable right of set-off for the tax assets and liabilities concerned, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority and refer to either the same taxable entity or different taxable entities, and there is an intention to settle the balances on a net basis.

Current and deferred tax is recognised in the statement of comprehensive income, except when the tax refers to items which are recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or equity.

Intangible assets

(i) Goodwill

Goodwill arising from business combinations is included in intangible assets. Goodwill is not amortised but is tested for impairment at least annually if events or changes in circumstances indicate that the goodwill might be impaired. Goodwill is stated at cost less accumulated impairment losses. When an entity is sold, the carrying amount of goodwill is included in the resulting gain or loss. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill has been allocated represents the lowest level within the group at which the goodwill is monitored for internal management purposes, which for the Sono Group is the operating segment level.

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(ii) Software

Software that has been acquired separately is recognised at cost less accumulated amortisation. The estimated useful life is 5–10 years, which is the estimated period during which the assets will generate cash flows.
The group amortises intangible assets with determinable useful lives on a straight-line basis over the following periods:

Software	5–10 years

Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the purchase and for bringing the asset to its place of use and preparing it for use in accordance with the purpose of the purchase.

Any additional expenditure is added to the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the asset will accrue to the group and the cost can be reliably measured. The carrying amount of a replaced portion is removed from the balance sheet. All other forms of repairs and maintenance are expensed in the statement of comprehensive income in the periods in which they are incurred.

To distribute the cost of assets over their estimated useful lives down to the estimated residual value, assets are depreciated on a straight-line basis as follows:

• Buildings	10-25 years
• Land improvements	25 years
• Plant and machinery	5–10 years
• Equipment, tools, fixtures and fittings	3–10 years

Residual values and useful lives of assets are tested at the end of each reporting period and adjusted where necessary.

An asset’s carrying amount is written down to the recoverable amount immediately if the carrying amount exceeds the estimated recoverable amount.

Gains and losses on the sale of an item of property, plant and equipment is determined by comparing the sale proceeds and the carrying amount. The difference is recognised in other operating income or other operating expenses in the statement of comprehensive income.

Impairment of non-financial assets

Goodwill is not amortised but is tested for impairment annually or if there are indications that the goodwill might be impaired. Assets which are depreciated or amortised are tested for impairment when an event or change of circumstance indicates that the carrying amount may not be recoverable. The difference between the carrying amount and recoverable amount is recognised as an impairment loss. The recoverable amount is the higher of the fair value of the asset less costs to sell and value in use. In testing for impairment, assets are grouped to the lowest levels at which there are essentially independent identifiable cash flows (cash-generating units). For assets which have previously been written down, an impairment test is made at each balance sheet date to determine if a reversal is required.

Financial instruments

(i) Initial recognition
Financial assets and financial liabilities are recognised when the group becomes party to the contractual provisions of the instrument. Purchases and sales of financial assets are recognised on the trade date, which is the date on which the group commits to purchase or sell the asset.

Financial instruments are initially recognised at fair value plus, in case of assets that are not measured at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue of a financial asset or financial liability, such as fees and commissions. Transaction costs directly attributable to financial assets at fair value through profit or loss are expensed directly in the statement of comprehensive income.

(ii) Classification and measurement
The group classifies its financial assets and liabilities in the categories amortised cost and fair value through profit or loss. The classification depends on the purpose for which the financial asset or liability was acquired.

Financial assets at amortised cost
The classification of investments in debt instruments depends on the group's business model for managing financial assets and their contractual cash flow characteristics. The group reclassifies debt instruments only when its business model for the instruments is changed.

Assets held for the purpose of collecting contractual cash flows that are solely payments of principal and interest are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit losses that have been recognised (see description below). Interest income from these financial assets is recognised using the effective interest method and is included in financial income in the statement of comprehensive income.

The group's financial assets at amortised cost consist of the items other long-term receivables, accounts receivable, other receivables, accrued income, and cash and cash equivalents.

Financial liabilities at amortised cost
Subsequent to their initial recognition, the group's other financial liabilities are measured at amortised cost using the effective interest method.

The group's financial liabilities at amortised cost consist of liabilities to owners, liabilities to credit institutions (current and non-current), lease liabilities (non-current and current), bonds, accounts payable and portion of other liabilities and accrued expenses.

Derivatives that do not meet the criteria for hedge accounting
Derivatives are recognised in the statement of financial position on the trade date and are measured at fair value, both initially and on subsequent remeasurement at the end of each reporting period. All changes in fair value are recognised directly in the statement of comprehensive income in the line financial income and expenses.

(iii) Derecognition of financial instruments
Derecognition of financial assets
Financial assets are derecognised from the statement of financial position when the right to receive cash flows from the instrument has expired or been transferred and the group has transferred substantially all risks and rewards of ownership.

Gains and losses on derecognition from the statement of comprehensive income are recognised directly in the statement of comprehensive income in the item financial income and expenses.

Derecognition of financial liabilities
Financial liabilities are derecognised from the statement of financial position when the obligations are discharged, cancelled or expired. The difference between the carrying amount of a financial liability (or part of a financial liability) that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of comprehensive income.

When the terms of a financial liability are renegotiated, and the liability is not derecognised from the statement of financial position, a gain or loss is recognised in the statement of comprehensive income or the loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

(iv) Offset of financial instruments
Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when there is a legally enforceable right to set off the recognised amounts and an intention to settle them on a net basis or to realise the asset and settle the liability simultaneously. The legally enforceable right must not depend on future events, and must be legally binding for the company and the counterparty both in case of normal business activities and in case of default, insolvency or bankruptcy.

(v) Impairment of financial assets
Assets at amortised cost
The group estimates expected future credit losses on assets at amortised cost. The group recognises a provision for such expected credit losses at each reporting date.

For accounts receivable, the group applies the simplified approach for expected credit losses, which means that it recognises a provision equal to the expected loss over the expected life of the accounts receivable. To measure expected credit losses, accounts receivable are grouped based on allocated credit risk characteristics and days past due. The group uses forward-looking variables for expected credit losses. Expected credit losses are recognised in the consolidated statement of comprehensive income in the item other external expenses. The primary inputs are historical losses. These have previously been insignificant.

Other than accounts receivable, the group has no other financial assets where the exposure to credit risk is significant.

Accounts receivable
Accounts receivable are amounts due from customers for goods sold or services provided in the ordinary course of business. Accounts receivable falling due within twelve months are classified as current assets. Accounts receivable are initially recognised at fair value (the transaction price). The group holds accounts receivable for the purpose of collecting contractual cash flows and therefore measures accounts receivable at subsequent accounting dates at amortised cost using the effective interest method.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first in, first out method (FIFO). Cost comprises direct costs of goods, direct salaries and attributable indirect manufacturing costs (based on normal manufacturing capacity). Borrowing costs are not included. The cost of merchandise is determined net of any discounts. Net realisable value is the estimated selling price in the ordinary course of business less any applicable variable selling expenses and net of provision for obsolescence.

Cash and cash equivalents
In the statement of financial position as well as the cash flow statement, cash and cash equivalents comprise cash and bank deposits.

Share capital
Ordinary shares are classified as equity. Transaction costs that are directly attributable to the issue of new ordinary shares are recognised, net of tax, in equity less a deduction from the proceeds of the issue.

Accounts payable
Accounts payable are financial instruments and refer to obligations to pay for goods and services purchased from suppliers in the ordinary course of business. Accounts payable are classified as current liabilities if they fall due within one year. If not, they are recognised as non-current liabilities.

Accounts payable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings
Borrowings are initially recognised at fair value, net of transaction costs. Subsequently, borrowings are recognised at amortised cost and any difference between the amount received (net of transaction costs) and the amount repayable is recognised in the statement of comprehensive income over the term of the loan using the effective interest method.

The liability is classified as current in the statement of financial position if the group does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the end of the reporting period.

Employee benefits
Pension obligations
The group has both defined contribution and defined benefit pension plans. Defined contribution pension plans are post-employment benefit plans under which the company pays fixed contributions to a separate legal entity. The group has no legal or constructive obligations to pay further contributions if this legal entity does not hold sufficient assets to pay all employee benefits relating to current and past service. The contributions are recognised as personnel expenses in the statement of comprehensive income as they fall due.

For salaried employees in Sweden, defined benefit pension obligations for retirement and family pensions under the ITP 2 plan are secured through insurance with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10 *Recognition of the ITP 2 Plan that is funded through insurance with Alecta*, this is a multi-employer defined benefit plan. For the financial year 2019, Sono has not had access to information that would enable it to account for its proportionate share of the plan's obligations, assets and expenses. It has therefore not been possible to recognise the plan as a defined benefit plan. The ITP 2 pension plan secured through insurance with Alecta has therefore been accounted for as a defined contribution plan. The contribution for defined benefit retirement and family pensions is calculated individually and depends on factors such as salary, previously earned pension and expected remaining period of service. Expected fees in the next reporting period for ITP 2 insurance policies with Alecta are kSEK 2,652.

The collective funding ratio is defined as the market value of Alecta's assets as a percentage of its commitments to policyholders calculated using Alecta's actuarial methods and assumptions, which do not comply with IAS 19. The collective funding ratio is normally permitted to vary between 125 and 175 per cent. If Alecta's collective funding ratio were to fall below 125 per cent or exceed 175 per cent, it would be necessary to take measures that will allow the ratio return to the normal range. In case of a low funding ratio, one measure that can be taken is to raise the agreed price for new policies and the expansion of existing benefits. If the funding ratio is high, contributions can be reduced. At the end of the financial year 2019, Alecta's surplus, defined as the collective funding ratio, was 148 per cent (2018: 142 per cent) on a preliminary basis.

One pension plan in Sweden are unfunded and are financed in-house by PRI. The liability recognised in the statement of financial position in respect of defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit pension obligation is calculated annually by independent actuaries by applying the projected unit credit method. The present value of the defined benefit obligation is determined by discounting estimated future cash flows using the yield on high-quality corporate bonds/mortgage bonds issued in the same currency as that in which the payment will be made and with maturities comparable to that of the pension obligation.

Remeasurement gains and losses arising from experience adjustments and changes to actuarial assumptions are recognised in other comprehensive income in the period in which they arise. These are included in retained earnings in the statement of changes in equity and in the statement of financial position.

Past service costs are recognised directly in the statement of comprehensive income.

Short-term benefits
Liabilities for salaries and benefits, including non-monetary benefits and paid leave which are expected to be settled within twelve months of the end of the financial year, are recognised as current liabilities at the undiscounted amount that is expected to be paid when the liabilities are settled. The cost is recognised as the services are performed by the employees. The liability is recognised as an employee benefit obligation in the statement of financial position.

Termination benefits
Compensation in case of termination is paid when an employee's employment has been terminated by the group before the normal time of retirement or when an employee accepts voluntary redundancy in exchange for such compensation. The group recognises termination benefits at the earliest of the following: (a) when the group can no longer withdraw the offer of such benefits; and (b) when the company recognises restructuring costs provided for under IAS 37 which involve the payment of severance pay. If the company has made an offer to encourage voluntary redundancy, termination benefits are calculated based on the number of employees that are expected to accept the offer. Benefits expiring more than twelve months after the end of the reporting period are discounted to present value.

Provisions
Provisions are recognised when the group has a legal or constructive obligation arising from past events, it is probable than that an outflow of resources will be required to settle the obligation, and the amount has been reliably measured. No provisions are made for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks associated with the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Dividends

Dividend payments to the shareholders of the parent company are recognised as a liability in the consolidated financial statements in the period in which the payment is approved by the shareholders of the parent company. Group contributions made by NIG to a higher level in the group (Frigaardgruppen) are recognised as dividends paid.

Cash flow statement

The cash flow statement has been prepared using the indirect method. The reported cash flow only includes transactions which involve incoming or outgoing payments.

Non-GAAP financial measures reflect adjustments based on the following items:

The company applies the European Securities and Markets Authority's (ESMA) guidelines on Alternative Financial Ratios. The guidelines aim to make alternative key figures in financial reports more comprehensible, reliable, and comparable and thus promote their usefulness. An alternative key figure, according to these guidelines, means a financial measure of historical or future earnings trend, financial position, financial result or cash flows that are not defined or specified in the applicable rules for financial reporting: IFRS and the Annual Accounts Act. The guidelines are mandatory for financial reports published after July 3, 2016. North Investment Group AB believes that these alternative key ratios provide a better understanding of the company's financial trends and that they are widely used by the company's management team, investors, securities analysts and other stakeholders as complementary measures of earnings performance. In addition, such alternative key ratios, as defined by North Investment Group AB, should not be compared with other alternative key ratios with similar names used by other companies. This is because the key ratios given below are not always defined in the same way and that other companies can calculate them in a different way than North Investment Group AB. For definitions and description of the reason for the use of financial ratios, see below:

Financial measures	Definition	Justification
EBITDA	*Earnings before deducting interest expense, taxes and depreciation charges.*	*Similar to the gross margin for the company, to be used as key performance indication to follow up for leaders on daughter company level*
EBIT	*Earnings before taxes and interest expense.*	*Indicates the company's profitability*
Solidity	*Equity divided on total equity and liability*	*Describes the company's ability to have losses.*

Note 3 RISK AND RISK MANAGEMENT

3.1 Financial risks

Through its operations, the group is exposed to a wide variety of financial risks related to accounts receivable, accounts payable and loans: market risk (mainly comprising interest rate risk and currency risk), credit risk, liquidity risk and refinancing risk. The group strives to minimise potential adverse effects on the group's financial results.

The objective of the group's financial activities is to:

- ensure that the group is able to meet its payment obligations,
- manage financial risks,
- ensure access to the necessary financing, and
- optimise the group's net financial income (expense).

The group's risk management is handled by a central finance department, which identifies, assesses and hedges financial risks in close collaboration with the operating units. The group has a financial policy which defines guidelines and limits for the group's financial activities. Responsibility for the management of the group's financial transactions and risks is centralised to the parent company.

(a) Market risk

Currency risk

The group is exposed to currency risks arising from exposures to various currencies, mainly the Norwegian krone (NOK), euro (EUR) and US dollar (USD). Currency risks arise from payment flows in foreign currency (transaction exposure) and from the translation of balance sheet items in foreign currency as well as from the translation of income statements and balance sheets of foreign subsidiaries to the group's reporting currency, Swedish kronor (SEK) (balance sheet exposure).

In the group, currency risk arises from cross-border trade as well as the translation of foreign subsidiaries' results and net assets. The group does not hedge net investments outside Sweden. The group uses derivatives in the form of currency swaps to manage its exposure to currency risk in respect of EUR. The group used to a very little extent currency swaps in only one company and under a limited period in 2019.

Sensitivity analysis

If the Swedish krona had weakened/strengthened by 10 per cent against EUR, with all other variables held constant, the translated profit after tax at 31 December 2019 would have been kSEK 8,829 lower/higher (2018: kSEK 6,992), mainly as a result of purchases in EUR.

If the Swedish krona had weakened/strengthened by 10 per cent against NOK, with all other variables held constant, the translated profit after tax at 31 December 2019 would have been kSEK 262 lower/higher (2018: kSEK 4,450), mainly as a result of the translation of surpluses in Norwegian companies.

Exposures

	31 Dec 2019		31 Dec 2018	
	EUR	USD	EUR	USD
Accounts payable	1,694	42	2,292	15
Liability to credit institutions (*)	728	0	10.888	1.743

(*) Gross currency exposure to banks in group account. At 31 December 2019, the group had no agreed common credit facilities. However, there is still a gross exposure within the group account structure.

Exposure

Interest rate risk
The group's main interest rate risk arises from long-term borrowing at variable interest rates, which exposes the group to cash flow interest rate risk. The group does not hedge its future cash flow interest rate risk. The bonds mature in September 2021 and have variable interest rates. For more information, see note 25. There are no covenants attached to the bonds that need to be met.

If interest rates on borrowings at 31 December 2019 had been 100 basis points higher/lower, with all other variables held constant, the estimated profit after tax for the financial year would have been kSEK 3,250 lower/higher (2018: kSEK 1,365), mainly as an effect of higher/lower interest expenses for borrowings at variable rates.

(b) Credit risk
Credit risk is managed at group level, with the exception of credit risk arising from outstanding accounts receivable, for which an analysis is made by each group company. Credit risk arises from cash and cash equivalents, deposits with banks, and credit exposures to customers. If no independent credit assessment exists, a risk assessment is made of the customer's creditworthiness based on the customer's financial position, previous experiences and other factors. The customers are spread over a large number. Expected losses on account receivables are provisioned based on historical losses as well as on forward-looking indicators. Sono Group impairs a receivable when there is no expectation for payments and active measures to collect payments has ceased.

At 31 December 2019, the provision for expected credit losses on accounts receivable was kSEK 917 (31 Dec 2018: kSEK 669). Historically, actual credit losses have been low. The reason for this is that most of the group's customers are public-sector organisations or large customers with strong credit histories.
The group only uses banks with a rating of AA or higher.
Cash and cash equivalents are included in assets subject to impairment but the potential impairment loss is considered to be immaterial.

c) Liquidity risk
The group defines liquidity risk as the risk that the group will have problems meeting it's obligations related to financial liabilities. The group has liquidity as a important key performance indicator that are reported monthly to the board. The group has today two cash pools to use excess liquidity in the most efficient way. This cash pools are in our most used currencies. The liquidity risk are handled centrally in the group. Through cautious liquidity management, the group ensures that adequate cash is available to meet the group's operational requirements. Cash flow forecasts are prepared by the group's operating companies and aggregated at group level. Rolling forecasts for the group's liquidity reserve are monitored closely at group level to ensure that the group has sufficient cash to meet its operational requirements. Cash flow forecasts are prepared in the currencies SEK and

NOK. The group also monitors the balance sheet-based liquidity measure cash and cash equivalents against internal requirements and secures access to external financing. Following the bond issue, the group considers that the former credit facility in the group account structure is no longer required. It was therefore terminated in 2018.

(d) Refinancing risk

Refinancing risk is defined as the risk that it will be difficult to refinance the company, that financing cannot be obtained, or that it can only be obtained at increased cost. The group secures access to external financing through bonds. The group also have possibility to establish a revolving credit facility. This option is not yet put into use. The finance function does not have a formal policy for refinancing targets, but reports the status to the board on a regular basis. The repayment date for our bond loan is September 2021. The group considers several alternatives going forward. Some of these alternatives are; refinancing with a new bond loan, long term loan from credit institution(-s), emission from existing or new share owners, or a combination of the above.

The following table shows an analysis of the group's non-derivative financial liabilities that constitute the group's financial liabilities, broken down by remaining maturity from the balance sheet date. The amounts indicated in the table are the contractual, undiscounted cash flows. Future foreign currency cash flows related to variable interest rates have been calculated based on the balance sheet date exchange rate and interest rate.

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total agreed cash flows	Amount in financial statement.
As of 31st December 2018							
Liabilities to owners		-					-
Liabilities to creditinstitutions (short and longterm)	-						-
Bond loan							310 599
Accounts payables	75 794						75 794
Other liabilities	28 052						28 052
Accrued cost	-						35 191
Leasingliability (short and longterm)	9 757	27 876	40 496	83 184	100 395		261 708
Total financial liabilities	112 295	59 143	35 264	404 247	100 395	-	711 344
As of 31st December 2019							
Liabilities to owners							
Liabilities to creditinstitutions (short and longterm)							
Bond loan	-1 308	-3 924	321 068	-			315 836
Accounts payables	66 834						66 834
Other liabilities	32 356						32 356
Accrued cost		50 846					50 846
Leasingliability (short and longterm)	10 577	39 037	45 406	75 074	83 063		253 156
Total financial liabilities	108 459	85 959	366 474	75 074	83 063	-	719 028

Management of capital

The group's goal in respect of capital structure is to secure its ability to continue as a going concern in order to generate a return for the shareholders and benefits for other stakeholders, and to maintain an optimal capital structure aimed at keeping the costs of capital down. Executive management regularly monitors the need to refinance external loans with the aim of renegotiating the group's credit facilities and long term loans 6-12 months before the maturity date.

To maintain or adjust its capital structure, the group can issue new shares or sell assets to reduce its liabilities.

The group does not have any formal guidelines for assessing its capital.

3.2 Operational risks

Sono Group's material risks and uncertainties also includes business risks. Cyclical and structural risks could affect the group's revenue negatively. A changed competition environment can also affect the group's profitability negatively. The risk can include both new competitors or that existing competitors joins forces. Geopolitical and macro economical risks can also affect the group's profitability negatively. As of today we mainly operates in stable countries when it comes to geopolitical risks, but terrorism, natural catastrophes, strikes, pandemics, etc can affect our business.

We also have risks more closely related to the operations, such as machinery breakdowns, labour conflicts, etc. Valuations risks related to our inventories will be incurrent due to change in customer preferences also applies. There is also a risk related to our suppliers, whereas availability, quality assurance and deliveries can give a negative effect on our business.

IT is a material part of Sono Group. We have today a common ERP-system in the group. There is a risk that the group's IT-system are influenced by software- or hardware problems, data virus, hacker-attacks and physical damages. Such problems and disturbances can, depending of the magnitude, have a negative effect on Sono Group's operations.

The Group is exposed for all general risks in the business.

Note 4 SIGNIFICANT ESTIMATES AND ASSESSMENTS

The group makes estimates and assumptions about the future. The resulting accounting estimates will by definition seldom equal the related actual results. Estimates and assumptions which involve a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year are addressed below.

(a) Goodwill impairment testing

Each year, the group tests goodwill for impairment in accordance with the accounting principle described in a note 15 to the accounts. The recoverable amounts for the cash-generating units (Sono Norway and Sono Sweden) have been determined by calculating value in use. For these calculations, certain estimates need to be made. The calculations are based on cash flows, as forecast in budgets adopted by management for the coming five years. Cash flows after the five-year period are extrapolated using the growth rate 0 (2018: 0). The assumed growth rate is consistent with industry forecasts for the industry of each cash-generating unit. For each CGU to which a significant amount of goodwill has been allocated, the material assumptions used in calculating value in use are indicated below.

- Pre-tax discount rate
- Long-term growth rate

Valuation of tax losses

The group has recognised deferred tax assets arising from tax losses. At 31 December 2019, the group had unused tax losses of kSEK 155,722. A deferred tax asset is recognised for tax losses only to the extent that it is probable that these can be used to offset future taxable profits and taxable temporary differences. The group has not expected that all tax losses will be possible to use to offset future taxable profits, due to new regulations in Sweden related to limited possibility to deduct interest expenses, certain part of losses related to this has not been activated in the balance sheet. This assessment is based on the adopted business plans and budgets for Sono Norway and Sono Sweden. A thorough budget process has been performed on a company level to be used for considering the group's deferred tax assets. The budgets for respective companies was approved by the board on 4th December 2019. Material assessments and estimates has been done related to revenue, order income and costs. Essential information that has been considered in the budget process is such as customer agreements, organizational restructurings, and more synergies within the group. Several of the companies has gone through bigger organizational changes the last quarter of 2019, which gives good foundations for better profitability in the years to come. Several assumptions have been done related to what profits each company is expected to have and in what year the tax loss can be used. The new regulations related to deduction of interest expenses has been assessed on a company by company level, which also determines the decision to not recognize any deferred tax asset on this year's deficit in the parent company.

Right-of-use assets

The probability that premises will be sublet is taken into account in assessing right-of-use assets for loss-making contracts. Based on an assessment of the available information, the group believes it is highly likely that the leased premises will to some extent be sublet, which has been taken into account in determining the amount of the right-of-use asset.

The group also sublets premises related to the loss-making contracts. These subleases are classified as short-term leases and are treated as operating leases.

Defined benefit pension obligations

An estimate of defined benefit pension obligations is presented in a note to the accounts. The company’s costs and the value of the outstanding obligations are estimated using actuarial calculations.

Measurement of inventories

A significant item in the consolidated balance sheet is inventories. In determining inventories, the risk of obsolescence is taken into account. The company applies a central group principle for assessing obsolescence, which takes account of the individual products’ turnover rates and estimated future sales volumes. The size of the obsolescence reserve is thus sensitive to changes in estimated future sales volumes. Information on inventory obsolescence is provided in Note 19.

Lease liability uncertainty of estimates due to variable lease payments:
Significant estimates and judgements concerning the lease term:
When the lease term has been determined, management considers all available information that creates an economic incentive to exercise an option to extend, or not to terminate, a lease. An option to extend a lease is included in the lease term only if it is reasonable to assume that the lease will be extended (or not terminated). When it is not reasonable to assume that the leases will be extended (or not terminated), potential future cash flows are not included in the lease liability. The assessment is reviewed in case of a significant event or change of circumstances that affects this assessment and the change is within the control of the lessee.

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Note 5 Information on operating segments

Operating segments are accounted for in a way that is consistent with the internal reports submitted to the chief operating decision maker. The chief operating decision maker is the function that is responsible for allocating resources and assessing the results of operating segments. In the group, this function has been identified as the Board of Directors of Sono Group.

Sono has identified two operating segments based on geographic location. These are consistent with the internal reporting. Reports on products or business activities are not produced, as no customer or product accounts for more than 10 per cent of net sales in any of the segments.

Shared overhead costs have been allocated to the segments and are based on an arm's length allocation. Other, unallocated costs for the parent company and consolidated eliminations are included in the Other item.

	2019			
	Sono Norway	**Sono Sweden**	**Others/ Eliminations**	**Total**
Revenue per segment	464 101	470 100	-	**934 201**
Net sales to other segment	-17 655	-17 339	-	**-34 994**
Revenue from external customers	**446 446**	**452 761**		**899 207**
EBITDA	**38 768**	**24 083**	**-1 932**	**60 919**
Amortisation and depreciation	-18 468	-21 952	-	-40 420
EBIT	**20 300**	**2 131**	**-1 932**	**20 499**
Financial items net	-8 475	-8 734	-28 533	-45 742
Profit before tax	**11 825**	**-6 603**	**-30 465**	**-25 243**

	2018			
	Sono Norway	**Sono Sweden**	**Others/ Eliminations**	**Total**
Revenue per segment	279 255	489 654	-	**768 909**
Net sales to other segment	-16 853	-16 791	-	**-33 644**
Revenue from external customers	**262 402**	**472 863**		**735 265**
EBITDA	44 482	45 919	-1 689	88 712
Amortisation and depreciation	-14 907	-27 127	-	-42 034
EBIT	29 575	18 792	-1 689	46 678
Financial items net	-6 660	-8 011	-12 088	-26 759
Profit before tax	**22 915**	**10 781**	**-13 777**	**19 919**

Note 6 Revenue

	2019	2018
Income from contract with customers	**899 207**	735 265
Other income:	**-**	-
Capital gains on sale PPE	**-**	-
Exchange-rate gains on operating receivables/liabilities	**5 897**	7 782
Rental income	**3 448**	3 365
Other	**3 099**	-
Total revenues	**911 651**	746 412

Geographic distribution of external revenues based on customer location	**2019**	**2 018**
Sweden	**468 942**	486 818
Norway	**369 326**	194 549
Denmark	**39 157**	33 919
Finland	**433**	448
Other Nordic	**341**	665
Great Britain	**1 629**	1 321
Other Europe	**17 186**	16 450
Other countries	**2 193**	1 095
Total revenues	**899 207**	735 265

Note 7 Auditors' fees

Specification auditor's fee PricewaterhouseCoopers	**2019**	**2018**
Statutory audit	**2 614**	1 072
of which PWC Sweden	2 206	742
Other assurance services	**66**	-
of which PWC Sweden	66	-
Other non-assurance services	**305**	306
of which PWC Sweden	266	195
Tax consultant services	**330**	68
of which PWC Sweden	264	68
Total	**3 315**	1 446

Specification auditor's fee other companies	**2019**	**2018**
Statutory audit	**168**	110
Other assurance services	**-**	-
Other non-assurance services	**28**	-
Tax consultant services	**8**	-
Total	**204**	110

Note 8 Employees, personnel expenses and Directors' fees

	2019	2018
Salaries and other renumerations	166 076	124 556
Social security fee	37 380	34 471
Pension cost - defined contribution plan	11 331	9 690
Pension cost - defined benefit plan	-61	906
Total renumeration to employees	**214 726**	**169 623**

Salaries and other renumerations incl soc. Sec fees	**2019**		**2018**	
	Salaries and other renumerations	**Social security fee incl pension costs.**	**Salaries and other renumerations**	**Social security fee incl pension costs.**
Board members, CEO and other management	8 450	2 374	7 896	3 215
Other employees	157 626	46 276	116 660	41 852
Group total	**166 076**	**48 650**	**124 556**	**45 067**

Average number of employees by country	**2019**		**2018**	
	Total	of which men	Total	of which men
Sweden	168	103	181	116
Norway	93	72	58	42
Denmark	6	5	5	4
Other	1	1	1	1
Group total	**268**	**181**	**245**	**163**

Gender population in Group (incl daughter companies) for board members and other management in %

	2019		**2018**	
	Total	of which men	Total	of which men
Board members	5 %	95 %	33 %	67 %
CEO and other management	0 %	100 %	13 %	87 %

Renumeration to management	**2 019**	**2 018**
Salary etc.	8 450	7 896
Compensation for terminations	-	-
Pension costs	771	1 378
Total	**9 221**	**9 274**

Salaries, renumeration and other 2018

	Salary	Bonuses etc	Other	Pension-cost	Consultancy	Totals
Board director	-	-	-	-	-	-
Board member Trond Frigaard	-	-	-	-	-	-
Board member Ellen Hanetho	-	-	-	-	-	-
CEO (Ståle Eide)	1 061	-	13	23	-	1 097
Other management (6 persons)	6 822	-	-	1 355	-	8 177
Total	**7 883**	**-**	**13**	**1 378**	**-**	**9 274**

Salaries, renumeration and other 2019

	Salary	Bonuses etc	Other	Pension-cost	Consultancy	Totals
Board director	-	-	-	-	-	-
Board member Trond Frigaard	-	-	-	-	-	-
Board member Ellen Hanetho	-	-	-	-	-	-
Board member Mads Langaard	-	-	-	-	-	-
CEO from 1st Sept 2019 (Ole Vinje)	667	-	1	15		683
CEO from 1st Jan to 31 Aug 2019 (Ståle Eide)	735	-	2	22	-	759
Other management (6 persons)	7 045	-	-	734	-	7 779
Total	**8 447**	**-**	**3**	**771**	**-**	**9 221**

Variable remuneration for 2019 (2018) refers to expensed bonuses that will be paid in 2020 (2019). For information on how bonuses have been calculated, see below.

Guidelines

The Chairman and other members of the Board of Directors receive fees in accordance with the resolution of the shareholders' meeting, 0 each.

The shareholders' meeting has adopted the following guidelines for remuneration of management. The remuneration paid to the Chief Executive Officer and other senior executives consists of a basic salary, variable remuneration, other benefits and pension contributions, etc. Other senior executives refer to the seven people who, together with the CEO, make up the senior management team.

The balance between basic salary and variable remuneration must be proportionate to the executive's responsibilities and authority. For the CEO, variable remuneration is not capped at any per cent of the basic salary. For other senior executives, variable remuneration is capped at 0–25 per cent of the basic salary. Variable remuneration is based on outcomes in relation to individually defined targets.

Pension benefits and other benefits for the CEO and other senior executives form part of the total remuneration.

The notice period for the CEO is 6 months. When termination from the company, without reason for termination, the CEO has the right to 6 months severance pay. For other senior management there is a notice period between 3 and 6 months. Specific agreements related to retirement age, future pensions, severance pay to the board members or other senior management does not exist.

Bonus
For the CEO, the bonus is based on the consolidated operating profit. The bonus for 2019 represented 0 per cent of the basic salary (2018: 0%).

For other senior executives, the bonus is based on the consolidated operating profit. Bonuses for other senior executives for 2019 range from 0–25 per cent of the basic salary (2018: 0–25%).

Pension
The group has both defined benefit and defined contribution pension plans. Retirement benefit cost refers to the cost which affects profit for the year.

Defined contribution pensions
The pension contribution is 2–25 per cent of the pensionable salary. Pensionable pay refers to the basic salary plus average variable pay for the last three years. The retirement age for the CEO is 70 years. For other senior executives, the retirement age ranges from 65 to 67 years. The pension agreement states that the pension contribution is 2–25 per cent of the pensionable pay.

Defined benefit pensions
This type of pension applies only to former employees and is not offered to any new employees. All defined benefit plans are final salary pension plans, which give the employees benefits in the form of guaranteed pension payments during their lifetimes. The level of the benefit depends on the employee's period of service and salary at the time of retirement.

Note 9 Other external costs and operating expenses

All amounts in SEK thousand

	2019	2018
Freight costs	**15 887**	17 337
Exchange-rate losses on operating receivables/liabilities	**14 364**	8 631
Advertising	**17 662**	13 380
Travel costs	**15 332**	12 434
Consultancy fees and external personnel	**3 776**	4 027
Bad debts	**1 726**	190
Other operating costs	**37 789**	20 886
Total operating expenses	**106 536**	**76 885**

Note 10 Interest and similar income and expenses

Interest and similar income	**2019**	**2018**
Exchange rate gains	**6**	134
Other interest income	**2 032**	920
Total	**2 038**	**1 054**

Interest and similar expense	**2018**	**2017**
Exchange rate losses	**230**	123
Other interest expense	**9 665**	10 037
Interest expense, leasing liability	**9 582**	10 593
Interest expense bonds	**28 303**	7 060
Total	**47 780**	**27 813**

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Note 11 Net foreign exchange differences

	2019	2018
Exchange rate differences affecting operating results	-8 467	-846
Exchange rate differences in financial items	-224	11
Total	**-8 691**	**-835**

Note 12 Investments in group companies

At 31 December 2019, the group had the following subsidiaries:

Subsidiary	Corp. Reg. no	registered office	Ownership/voting right	Carrying amount 2019-12-31	Carrying amount 2018-12-31
Directly owned					
Sono Norge Holding AS (prev. NIG Norge AS)	995 246 511	Borgenhaugen, NO	100 %	190 543	190 543
ACAP Invest AB	556087-7838	Tranås, SE	100 %	112 847	112 847
Indirectly owned					
Sono Norge AS (prev Altistore AS)	991 625 216	Borgenhaugen, NO	100 %		
Sono Denop ApS (prev Denop ApS)	30825764	Ikast, DK	100 %		
Sarpsborg Metall AS	929 567 528	Borgenhaugen, NO	100 %		
Sarpsborg Metall AB	556758-0344	Mölndal, SE	100 %		
Scandinavian Storage Group AS	987 005 068	Borgenhaugen, NO	100 %		
Sono Danmark A/S (prev Sono SSG A/S)	29153205	Ikast, DK	100 %		
Sono Norop AS (prev Norop AS)	989 263 900	Borgenhaugen, NO	100 %		
NIG IPO Ltd	1698211	Hong Kong, CN	100 %		
NIG Sverige AB	556475-9545	Malmö, SE	100 %		
Sono Sweop AB (prev Sweop AB)	556591-2374	Tranås, SE	100 %		
Sono Brands AB (prev Sono Sverige AB)	556862-5536	Tranås, SE	100 %		
Ergoff Miljö AB	556595-7809	Uppsala, SE	100 %		
Sonesson Inredningar AB	556139-0336	Malmö, SE	100 %		
Form o Miljö Sweden AB	556481-7285	Stockholm, SE	100 %		
Sono Sverige AB (prev Miljö Expo Scandinavia AB)	556365-8987	Tranås, SE	100 %		
GBP Ergonomics AB	556227-4190	Jönköping, SE	100 %		
Alnäs Möbelfabrik AB	556084-5165	Tranås, SE	100 %		
Bredmyra Møbler (prev Sono Norge AS)	985 007 683	Oslo, NO	100 %		
Sørlie Prosjektinnredninger AS	975 378 535	Sarpsborg, NO	100 %		
				303 390	**303 390**

Note 13 Tax

All amount in SEK thousand	2019	2018
Income tax expense:		
Current tax:		
Tax payable	-1 334	**-3 526**
Correction of previous years current income taxes		
Deferred tax		
Changes in deferred tax	2 477	**1 036**
Tax expense	**1 143**	**-2 490**
Pre-tax profit		
Tax on profit for the year based on Sweden's tax rate (21.4%)	5 402	-4 382
Non deductible expenses	-5 297	-322
Non-taxable income	86	1 412
Effect of other tax rates in subsidiaries	-10	-61
Usage of tax losses carried forward	880	558
Effect of change in tax rate	-73	-1 646
Other	155	1 952
Tax expense	**1 143**	**-2 490**

The group's weighted average tax rate was 5 per cent (2018: 13%).

Tax loss carried forward	**2019**	**2018**
Losses carried forward	**142 661**	**124 379**
Not booked losses carried forward	**13 061**	**16 475**
Potential tax, 21.4% (22%)		
No tax loss carried forward in the Group has maturity date.		

Changes in deferred tax assets	**2019**	**2018**
Opening balance	37 875	36 839
Purchase of subsidairies	210	0
Changes in temporary differences in accordance with income statement	1 333	896
Changes in temporary differences booked toward OCI	1 001	195
Translation effects	-67	-55
Net deferred tax asset (liabilities)	**40 352**	**37 875**

Deferred tax assets (liabilities)	**2019**	**2018**
Pensions	2 989	2 798
Tax losses carried forward	29 907	26 118
Intangible assets	275	880
Property, plant and equipment	119	-24
Inventories	548	356
Leasing	2 547	1 752
Temporary differences related to restructuring cost	3 967	5 995
Net deferred tax asset (liabilities)	**40 352**	**37 875**

For further information regarding valuation of deferred tax assets, see note 4, "valuation of tax losses".

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Note 14 Property, plant and equipment

	Buildings and land	Machinery and equipment	Equipment, tools and fixtures & fittings	Total
1 of January 2018				
Acquisition cost	2 558	15 994	24 528	43 080
Accumulated depreciation and write downs	-2 093	-13 199	-21 831	-37 123
Accumulated cost 1 of Januar 2018	**465**	**2 795**	**2 697**	**5 957**
Accounting year 2018				
Initial carrying amount	465	2 795	2 697	5 957
Additions	586	2 972	1 493	5 051
Reclassifications	-	364	-	364
Disposals	-	-	-8	-8
Depreciations	-173	-1 530	-1 501	-3 204
Exchange differences	16	-	12	28
Carrying amount 31 of December 2018	**894**	**4 601**	**2 693**	**8 188**
Per 31 december 2018				
Acquisition cost	3 225	19 330	25 941	**48 496**
Accumulated depreciation and write downs	-2 331	-14 729	-23 248	**-40 308**
Accumulated cost 1 of Januar 2019	**894**	**4 601**	**2 693**	**8 188**
Initial carrying amount	894	4 601	2 693	**8 188**
Additions	409	18	2 112	2 539
Purchase of subsidairies	232	-	290	522
Reclassifications	-	-2 737	-	-2 737
Disposals	-	-	52	52
Depreciations	-311	-687	-1 677	-2 675
Exchange differences	22	-	-9	13
Carrying amount 31 of December 2019	**1 246**	**1 195**	**3 461**	**5 902**
Per 31. December 2019				
Acquisition cost	3 947	15 278	28 391	**47 616**
Accumulated depreciation and write downs	-2 701	-14 083	-24 930	**-41 714**
Carrying amount 31 of December 2019	**1 246**	**1 195**	**3 461**	**5 902**

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Note 15 Intangible assets

	Goodwill	Software	Total
1 of January 2018			
Acquisition cost	228 133	21 488	**249 621**
Accumulated depreciation and write downs	-30 653	-17 476	**-48 129**
Carrying amount	**197 480**	**4 012**	**201 492**
Initial carrying amount	197 480	4 012	201 492
Additions	-	2 436	2 436
Disposals	-	-	-
Exchange differences	3 195	-1	3 194
Depreciations	-	-1 418	-1 418
Carrying amount 31 of December 2018	**200 675**	**5 029**	**205 704**
Per 31 december 2018			
Acquisition cost	231 328	23 923	255 251
Accumulated depreciation and write downs	-30 653	-18 894	-49 547
Accumulated cost 1 of Januar 2019	**200 675**	**5 029**	**205 704**
Initial carrying amount	200 675	5 029	205 704
Additions	-	1 938	1 938
Purchase of subsidairies	41 984	-	41 984
Disposals	-	-	-
Exchange differences	3 345	31	3 376
Depreciations	-	-1 677	-1 677
Carrying amount 31 of December 2019	**246 004**	**5 321**	**251 325**
Per 31 december 2019			
Acquisition cost	276 657	25 892	302 549
Accumulated depreciation and write downs	-30 653	-20 571	-51 224
Accumulated cost 31 of December 2019	**246 004**	**5 321**	**251 325**

Goodwill impairment testing

The Board of Directors monitors goodwill broken down by the two operating segments identified in Note 5.

Summary of goodwill by segment	31 Dec 2019	31 Dec 2018
Sono Sweden	76 369	76 369
Sono Norway	169 635	124 306
Total	**246 004**	200 675

The recoverable amount for goodwill has been determined based on calculations of value in use. The CEO has made the assessment that sales growth, EBITDA margin, discount rate and long-term growth are the most significant assumptions in the impairment test. Calculations of value in use are made on the basis of estimated future cash flows before tax based on five-year financial budgets that have been approved by management. The calculation is based on management's experience and historical data. For both operating segments, the sustainable long-term growth rate has been estimated based on industry forecasts, and is 0 per cent.

For each operating segment to which a significant amount of goodwill has been allocated, the material assumptions, long-term growth rates and discount rates used in calculating value in use are indicated below.

Essential assumptions used for calculation of value:

	31.12.2019	31.12.2018
Discount rate before taxes*	**10.70 %**	**11.10 %**
Long term growth rate**	**0 %**	**0 %**

* Pre-tax discount rate used in calculating the present value of estimated future cash flows.
** Weighted average growth rate used to extrapolate cash flows beyond the budget period.

Goodwill sensitivity analysis

The recoverable amount comfortably exceeds the carrying amount of goodwill. This applies for the assumption that:

- the pre-tax discount rate had been 4 (31 Dec 2018: 5) percentage points higher,
- the estimated growth rate used to extrapolate cash flows beyond the five-year period had been 8 (31 Dec 2018: 10) percentage points lower.

Other than the discount rate and long-term growth rate, the most significant assumptions are EBITDA margin and sales growth. A change in these two assumptions of 2 and 4 percentage points, respectively, would, individually, not result in any impairment. This sensitivity applies for both segments.

Note 16 Classification of financial instruments

The carrying value of assets and liabilities can be broken down into the following categories:

	Assets measured at initial cost	
All amounts in NOK thousand	2019-12-31	2018-12-31
Non-current financial assets	**121**	187
Trade and other receivables	**116 894**	100 757
Cash and cash equivalents	**79 303**	139 082
Total financial assets	**196 318**	**240 026**

	Liabilities measured at amortized cost	
	2019-12-31	2018-12-31
Bond loans	**315 836**	310 599
Leasing liabilities	**253 156**	261 708
Current interest-bearing liabilities	**504**	37
Accounts payable	**66 834**	75 794
Other current liabilities	**32 356**	28 052
Accrued expenses	**50 846**	35 191
Total financial liabilities	**719 532**	**711 381**

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Note 17 Leases

Right-of-use assets	Buildings	Machinery and equipment	Vehicles	Total
Acquisition cost 1 January 2018	**246 990**	**2 681**	**7 810**	**257 481**
Addition of right-of-use assets	19 501	1	1 718	21 220
Disposals	-290	-119	-1 235	-1 644
Transfers and reclassifications	-	-	-	-
Currency exchange differences	4 890	7	39	4 935
Acquisition cost 31 December 2018	**271 090**	**2 570**	**8 332**	**281 992**
Accumulated depreciation and impairment 1 January 2018	**-28 153**	**-509**	**-2 785**	**-31 447**
Depreciation	-33 916	-630	-2 925	-37 471
Impairment losses in the period				-
Disposals	290	119	1 235	1 644
Transfers and reclassifications			-	-
Currency exchange differences	-371	-2	-4	-376
Accumulated depreciation and impairment 31 December 2018	**-62 149**	**-1 022**	**-4 477**	**-67 649**
Carrying amount of right-of-use assets 31 December 2018	**208 941**	**1 548**	**3 854**	**214 343**
Lower of remaining lease term or economic life	2-15 years	3-6 years	4 years	
Depreciation method	Linear	Linear	Linear	

Right-of-use assets	Buildings	Machinery and equipment	Vehicles	Total
Acquisition cost 1 January 2019	**271 090**	**2 570**	**8 332**	**281 992**
Addition of right-of-use assets	24 032	406	8 756	33 194
Disposals	-1 464	-	-2 705	-4 169
Transfers and reclassifications	-	3 706	-	6 304
Currency exchange differences	4 501	3	-53	4 451
Acquisition cost 31 December 2019	**298 160**	**6 685**	**14 329**	**319 174**
Accumulated depreciation and impairment 1 January 2019	**-62 149**	**-1 022**	**-4 477**	**-67 649**
Depreciation	-31 149	-681	-4 265	-38 693
Impairment losses in the period	27			27
Disposals	1 464	-	2 705	4 169
Transfers and reclassifications		-969	-	-969
Currency exchange differences	225	1	21	247
Accumulated depreciation and impairment 31 December 2019	**-91 583**	**-2 671**	**-6 016**	**-100 270**
Carrying amount of right-of-use assets 31 December 2019	**206 576**	**4 014**	**8 313**	**218 902**
Lower of remaining lease term or economic life	2-15 years	3-6 years	4 years	
Depreciation method	Linear	Linear	Linear	

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Lease liabilities

Undiscounted lease liabilities and maturity of cash outflows	**Total**
Less than 1 year	**49 613**
1-2 years	**45 406**
2-5 years	**75 074**
More than 5 years	**83 063**
Total undiscounted lease liabilities at 31 December 2019	**253 156**

Summary of the lease liabilities in the financial statements	**Statement of:**	**Total**
At initial application 01.01.2019		**261 708**
New lease liabilities recognised in the year		**37 894**
Cash payments for the principal portion of the lease liability	Cash flows	**-46 446**
Cash payments for the interest portion of the lease liability	Cash flows	**-10 181**
Interest expense on lease liabilities	Profit and loss	**10 181**
Reassessment of the discount rate on previous lease liabilities	Profit and loss	**-**
Currency exchange differences	Profit and loss and Other comprehensive income	**-**
Total lease liabilities at 31 December 2019		**253 156**
Current lease liabilities	Financial position	**49 613**
Non-current lease liabilities	Financial position	**203 543**
Total cash outflows for leases	Cash flows	**-46 442**

Interest expenses related to lease liabilities are presented in Note 10.

Practical expedients are applied

The group also leases PCs, IT equipment and machinery with lease terms of one to three years. The group has elected not to recognise lease liabilities or right-of-use assets for low-value leases. Such lease payments are instead expensed as incurred. Nor does the group recognise lease liabilities and right-of-use assets for short-term leases.

Summary of other lease expenses recognised in profit or loss	**Total**
Variable lease payments expensed in the period	
Operating expenses related to short-term leases (including short-term low value assets)	**1 807**
Operating expenses period related to low value assets (excluding short-term leases included above)	**-**
Total lease expenses included in other operating expenses	**1 807**

The leases do not contain any restrictions on the company’s dividend policy or financing.

The future minimum rents related to non-cancellable low value leases fall due as follows:

Within 1 year	2 023
1 to 5 years	3 901
After 5 years	
Sum	**5 924**

Option to extend

The group’s leases for properties have lease terms ranging from 2 to 15 years and several of the leases include an option to extend the lease term at the end of the original term. At the commencement of the lease, the group assesses whether it is reasonable to assume that the option to extend will be exercised or not.

Option to purchase

The group leases machinery, equipment and vehicles with lease terms of 3 to 6 years. Some of the leases include an option to purchase the assets at the end of the lease term. At the commencement of the lease, the group assesses whether it is reasonable to assume that this option will be exercised. This assessment is updated when circumstances indicate renewed operational plans for the leased assets.

Note 18 Accounts receivable

All amounts in SEK thousand

	2019-12-31	2018-12-31
Receivables related to revenue from contracts with customers - external	106 396	92 351
Provision for bad debts	-917	-669
Total accounts receivables	**105 479**	**91 682**

Reported amounts, per currency, for the Group's accounts receivable are as follows:

	2019-12-31	2018-12-31
SEK	62 312	68 237
DKK	3 219	2 600
HKD	-	-
NOK	39 948	20 845
Total	105 479	91 682

	2019-12-31	2018-12-31
Receivables not due for payment	94 443	83 170
Less that 30 days since due date	12 075	7 702
30-60 days since due date	1 203	1 453
60-180 days since due date	-378	0
More than 180 days since due date	-947	26
Minus: provisions for bad debts	-917	-669
Total contract assets	**105 479**	**91 682**

The maximum exposure to credit risk for accounts receivable at the balance sheet date is the carrying amount, as shown above. The fair value of accounts receivable is equal to the carrying amount, as the discount effect is insignificant.

Note 19 Inventories

The value of the group's inventories at 31 December 2019 was kSEK 89 622 (31 Dec 2018: kSEK 73 446). In the financial year 2019, costs of goods sold of kSEK 529 470 (2018: kSEK 411 112) were recognised in the statement of comprehensive income. They were accounted for as Raw materials and consumables in the statement of comprehensive income.

The write-down of net realisable value is kSEK 3,694 (2018: kSEK 2 943). The write-down was recognised in Raw materials and consumables in the income statement in 2019.

Note 20 Other receivables

	2019-12-31	2018-12-31
Deposits	**8 345**	8 345
Other	**3 070**	3 001
Totalt	**11 415**	**11 346**

Note 21 Prepaid expenses and accrued income

	2019-12-31	2018-12-31
Rent	**279**	6 234
Insurance	**1 258**	440
Marketing expenses	**1 452**	-
Leasing	**77**	308
Delivered, not invoiced goods	**3 569**	588
Other	**3 104**	4 778
Totalt	**9 739**	**12 348**

Note 22 Cash and cash equivalents

All amounts in SEK thousand

	2019-12-31	2018-12-31
Cash at banks and on hand	**79 303**	139 082
Total	**79 303**	**139 082**

In addition to cash and cash equivalents, Sono Group has an undrawn credit facility of SEK 8.4 million (2018: SEK 0 million). The agreed credit for 2019 is 8.4 (2018: SEK 0 million). Blocked funds related to interest payments totalled SEK 17.3 million (SEK 46.1 million in 2018).

Note 23 Share capital and other paid-in capital

At 31 December 2019, the share capital consisted of 759 201 ordinary shares with a quotient value of SEK 139.12 per share.

	2019	2018
Ordinary shares, nominal amount NOK 139.12	759 201	725 344
Total number of shares	**759 201**	**725 344**

Nye Sørlie Bygg AS entered as shareholders during the period. Each share carries one vote.

All shares issued by the parent company are fully paid up.

The shareholders at 31.12.19 are:

	Number of shares:	Ownership interest:
FrigaardGruppen AS	672 405	88.57 %
Nye Sørlie Bygg AS	33 857	4.46 %
Opulentia Invest AS	15 008	1.98 %
VHS Holding AS	10 816	1.42 %
Add Relax AB	8 181	1.08 %
Funtus AS	3 605	0.47 %
PH Capital AS	3 605	0.47 %
Jacob Iqbal	3 605	0.47 %
Fredrik Juntti	3 605	0.47 %
Stian Folker Larsen	3 605	0.47 %
TG Sport AB	909	0.12 %

SONO GROUP

Note 24 Acquisitions

On 7 January, Sono Holding Norge AS acquired 100 per cent of the shares of the Norwegian company Sørlie Prosjektinnredninger AS. Sørlie Prosjektinnredninger is an Østlandet-based supplier of furniture and interior design solutions for offices, meeting rooms, canteens, kindergartens, schools and nursing homes. Sørlie has 36 employees and generates annual sales of NOK 150 million.

Consideration	
Cash consideration	53 680
Total	**53 680**

Preliminary aquisition analysis
Booked and fair value of assets and liabilities at the time of aquisition:

	Fair value
Deferred tax assets	209
Property, plant and equipment	522
Inventories	6 232
Accounts receivables	29 713
Other short term receivables	965
Cash	3 464
Accounts payables	-12 462
Tax payables	-1 431
Other short term liabilities	-6 216
Short term liabilities to owners	-3 216
Accrued expenses and deferred income	-6 085
Total net assets	**11 696**
Goodwill	41 984
Considerations	**53 680**

Goodwill is attributable to the workforce and the high profitability of the acquired business as well as to synergies within the group.

The consideration excludes acquisition-related costs. Cost of transactions was immaterial amount. No further acquisitions were made in 2019.

The revenue for Sørlie Prosjektinnredninger AS in 2019 was SEK 164m and the EBIT was SEK 7.4m.

SONO GROUP

Note 25 Borrowings

Longterm	**31.12.2019**	**31.12.2018**
Bonds	325 000	325 000
Cost related to bonds	-9 164	-14 401
Leasing liability	203 543	224 075
	519 379	**534 674**

Shortterm	**31.12.2019**	**31.12.2018**
Leasing liability	49 613	37 633
Liabilities to credit institutions	504	37
	50 117	**37 670**
Totals liabilities	**569 496**	**572 344**

Bonds
In September 2018, the group issued SEK 325 million in bonds. The bonds mature in 2021 and have a variable interest rate of 3 months STIBOR + 7 per cent. Through the bond issue, the group changed its borrowings from debt to ownership. See also note 3 regarding repayment date.

The carrying amounts are considered to approximate the fair values, as the loans have variable interest rates and because the credit risk has not changed since the loans were taken out.

The group's borrowings are in SEK and NOK. The fair value of short-term borrowings is equal to the carrying amount, as the discount effect is insignificant.

The group was in compliance with all covenants in 2019 and 2018. This is mainly related to credit facilities. Agreed credit facility for the group as of 31st Dec 2019 was SEK 8.6m (SEK 0m).

SONO GROUP

Note 26 Accrued expenses and deferred income

	2019-12-31	2018-12-31
Accrued salaries incl. holiday pay and social security	33 733	24 067
Cost of goods	6 013	951
Audit fee	702	553
Other items	10 398	10 173
Total	**50 846**	**35 191**

Note 27 Pension obligations, interest-bearing

The group has defined benefit pension plans in Sweden. All defined benefit plans are final salary pension plans, which give the employees benefits in the form of guaranteed pension payments during their lifetimes. The level of the benefit depends on the employee's period of service and salary at the time of retirement.

The amounts presented in the statement of financial position and changes in the defined benefit pension plan during the year are as follows.

	Pension liability
1 January 2018	36 043
Current service cost this year	-
Current service cost previous years	-
Interest cost/(-income)	716
Total amount recognised in profit or loss	**716**
Actuarial gains/losses:	
- (gain)/loss from change in demographic assumptions	-273
- (gain)/loss from change in financial assumptions	1 217
Total amount recognised in other comprehensive income	**944**
Fees from:	
Employer	
Employees covered by plan	
Settlements	-4 549
Payments from plan	**-1 211**
Per 31 December 2018	**31 944**
Per 1 januari 2019	31 944
Current service cost this year	-
Current service cost previous years	-
(gains)/losses from regulations	-133
Interest cost/(-income)	705
Total amount recognised in profit or loss	**571**
Actuarial gains/losses:	
- (gain)/loss from change in demographic assumptions	92
- (gain)/loss from change in financial assumptions	4 767
Total amount recognised in other comprehensive income	**4 860**
Fees from:	
Employer	
Employees covered by plan	
Settlements	**-5 426**
Payments from plan	**-855**
Per 31 december 2019	**31 094**

Actuarial assumptions as follows:	**2019-12-31**	**2018-12-31**
Discount rate	1.40 %	2.35 %
Inflation	1.80 %	2.00 %

Assumptions about life expectancy are based on official statistics and experience from mortality studies in Sweden, and are determined in consultation with actuarial experts.

The above sensitivity analyses are based on a change in one assumption while other assumptions are held constant. In practice, it is unlikely that this would occur, and changes in some of the assumptions may be correlated. In calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation using the projected unit credit method at the end of the reporting period) is used as for calculating the pension liability that is recognised in the statement of financial position. The duration of the obligation is 18 years for 2019.

The sensitivity of the defined benefit obligation to changes in the weighted key assumptions is:

Changes to the obligation

	Change in assumption		**Increase in assumption**		**Decrease in assumption**	
	31.12.2019	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Discount rate	0.50 %	0.50 %	Reduction with 8.9 %	Reduction with 8.1 %	Increase with 10.1 %	Increase with 9.1 %
Inflation	0.50 %	0.50 %	Increase with 9.9 %	Increase with 9.1 %	Reduction with 8.8%	Reduction with 8.1%
Life expectancy	+/- 1 year	+/- 1 year	Increase with 5.1 %	Increase with 4.1 %	Reduction with 5.0%	Reduction with 4.1%

Note 28 Pledged assets

	2019-12-31	2018-12-31
Carrying amount for assets pledged as security		
Shares in subsidiaries	**218 768**	221 714
Chattel	**12 000**	162 390

Note 29 Related party transactions

North Investment Group AB (publ) is 88.6 per cent owned by Frigaardgruppen AS, corp. ID no. 913 260 740, with registered office in Sarpsborg, Norway. The ultimate consolidated financial statements are prepared by Soland Invest AS, corp. ID no. 987 521 465, with registered office in Sarpsborg, Norway. Related parties are all subsidiaries in the group as well as senior executives in the group and their close family members.

Services are purchased and sold to related parties on normal commercial terms and on a commercial basis, and in compliance with the applicable transfer pricing policy.

The group has not made any provisions for doubtful debts attributable to related parties and did not recognise any expenses for doubtful debts from related parties during the period. No collateral has been posted for the receivables.

Sale of goods and services	**2019**	**2018**
Rental income properties	718	638
Sale of services	1 029	615
Total	**1 747**	**1 253**

Purchase of goods and services	**2019**	**2018**
Purchase of services	5 551	1 818
Total	**5 551**	**1 818**

Receivables and payables at year end due to sale/purchase of goods and services	**2019-12-31**	**2018-12-31**
Receivables to related parties		
Frigaard Gruppen AS	968	0
Other related parties	367	314
Payables to related parties		
Frigaard Gruppen AS	3 807	4 515
Other related parties	53	318

Liabilities to related parties	**2019-12-31**	**2018-12-31**
Liabilities to Frigaard Gruppen AS		
1st January	-	124 386
New loans	-	-
Repayments	-	-124 386
Interest cost	-	4 443
Paid interest	-	-4 443
31st December	-	-

All sales and purchases of goods and services to which no name is attached are to other group companies/legal entities.

All receivables and liabilities at year-end arising from sales of goods and services to which no name is attached are to other group companies/legal entities.

Note 30 Events after the end of the financial year

The outburst of Coronavirus/Covid-19 has escalated during the beginning of 2020, and WHO has 11th March 2020 declared the outburst as a global pandemic. The outburst has led to a number of safety precautions that affects our business and daily operations, as well as it affects our suppliers and customers. At the time of writing we see certain negative effects on our revenues, mostly in the Norwegian segment, but also in the Swedish. We are following the development thoroughly and will initiate necessary measures going forward. Deliveries of goods follows the plan both for our suppliers as for our customers. We have started with temporary lay-offs for most of our employees in all countries. We have also increased our activities in digital channels. In addition to the above-mentioned measures we are following our liquidity thoroughly, which so far follows the plan.

Other than the above, no events has occurred after the end of the financial year that affects the financial statement.

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT

All amounts in SEK thousand	Note	Jan-Dec 2019	Jan-Dec 2018
Revenue		-	-
Other operating revenue		-	-
Total operating revenue		**-**	**-**
Cost of goods sold		-	-
Other external cost	2	(1 932)	(1 689)
Salaries and personnel expense		-	-
Depreciation and amortization expense		-	-
Other operating expense		-	-
Total operating expense		**(1 932)**	**(1 689)**
Operating profit		**(1 932)**	**(1 689)**
Interest income and similar	3	7 873	301
Interest expense and similar	3	(28 533)	(12 389)
Net financial income (expenses)		**(20 660)**	**(12 088)**
Appropriations	10	2 000	12 278
Profit before income tax		**(20 592)**	**(1 499)**
Income taxes	4	-	321
Net profit for the period		**(20 592)**	**(1 178)**

In the parent company no amounts has been booked towards other comprehensive income, as a result total comprehensive income is equal to net profit for the year.

PARENT COMPANY BALANCE SHEET

All amounts in SEK thousand

ASSETS	Note	2019 31.des	2018 31.des
Participations in Group companies	5, 8	303 390	303 390
Deferred tax receivables	4	321	321
Other long term receivables group	9	120 524	56 089
Total non-current financial assets		**424 235**	**359 800**
Total non-current assets		**424 235**	**359 800**
Other short term receivables group	9, 10	9 880	12 489
Other short term receivables		31	1
Prepaid expenses and accrued income		90	84
Cash and cash equivalents		21 098	73 925
Total current receivables		**31 099**	**86 499**
Total current assets		**31 099**	**86 499**
TOTAL ASSETS		**455 334**	**446 299**

EQUITY AND LIABILITIES	Note	2019 31.des	2018 31.des
Share capital	7	105 619	100 909
Share premium reserve		-	-
Other equity		54 401	31 055
This years result	11	-20 592	-1 178
Equity attributable to majority shareholders		**139 428**	**130 786**
Bonds	6	315 836	310 599
Total non-current liabilities		**315 836**	**310 599**
Accounts payable		-	324
Other short term liabilities group companies	9	-	4 515
Tax payable	4	-	-
Other short term liabilities		5	75
Accrued expenses and deferred income		65	-
Total current liabilities		**70**	**4 914**
TOTAL EQUITY AND LIABILITIES		**455 334**	**446 299**

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PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

		Restricted equity	Unrestricted equity			
Amount in SEK thousand	**Note**	**Share capital**	**Other paid-in capital**	**Retained earnings**	**This years result**	**Total equity**
Equity on 1 January 2018		**100 909**	**-**	**40 800**	**-1**	**141 707**
Appropriation of profit according to General meeting		**-**	**-**	**-1**	**1**	**-**
This years result		-	-	-	-1 178	**-1 178**
Total comprehensive income		**100 909**	**-**	**40 799**	**-1 178**	**140 529**
Transaction with shareholders related to ownership						
Dividend to shareholders		-	-	-9 744	-	**-9 744**
Equity on 31 December 2018		**100 909**	**-**	**31 055**	**-1 178**	**130 786**
Equity on 1 January 2019		**100 909**	**-**	**31 055**	**-1 178**	**130 786**
Appropriation of profit according to General meeting		**-**	**-**	**-1 178**	**1 178**	-
This years result	11				-20 592	**-20 592**
Total comprehensive income		**100 909**	**-**	**29 877**	**-20 592**	**110 194**
Transaction with shareholders related to ownership						
Issue of share capital	7	**4 710**	**-**	**24 524**	**-**	**29 234**
Equity on 31 December 2019		**105 619**	**-**	**54 401**	**-20 592**	**139 428**

PARENT COMPANY CASH-FLOW STATEMENT

All amounts in SEK thousand

	2019	2018
Cash flows from operations		
Profit/(loss) before income taxes	-20 592	-1 499
Taxes paid in the period	-	-
Net cash flow from operations before changes in working capital	**-20 592**	**-1 499**
Change in inventory		
Change in trade debtors	2 609	-7 564
Change in trade creditors	-4 839	4 835
Change in other provisions	-42	159
Net cash flow from operations	**-22 864**	**-4 069**
Cash flows from investments		
Payment on loan receivables group (short/long)	-64 435	-56 089
Net cash flows from investments	**-64 435**	**-56 089**
Cash flow from financing		
Net change in credit line		
Proceeds from long term loans	5 237	310 599
Repayment of borrowings group	-	-166 817
Dividends paid to equity holders of NIG AB	-	-9 744
Capital increase	29 235	-
Net cash flow from financing	**34 472**	**134 038**
Net change in cash and cash equivalents	**-52 827**	**73 880**
Cash and cash equivalents at the beginning of the period	73 925	45
Cash and cash equivalents at the end of the period	**21 098**	**73 925**

1 SUMMARY OF PARENT COMPANY ACCOUNTING PRINCIPLES

Significant accounting principles applied in preparing these annual accounts are described in the following. Unless otherwise stated, these principles have been applied consistently for all the years presented.

The annual accounts for the parent company have been prepared in accordance with Recommendation RFR 2 *Financial Reporting for Legal Entities* of the Swedish Financial Reporting Board and the Swedish Annual Accounts Act. In cases where the parent company applies other accounting principles than the group's accounting principles, as described in the notes to the consolidated financial statements, this is indicated in the following.

The annual accounts have been prepared in accordance with the cost method.

Preparing financial statements in compliance with RFR 2 requires the use of critical accounting estimates. Management is also required to make certain judgements in applying the parent company's accounting principles. Areas which involve a high degree of judgement, are complex or where assumptions and estimates have a material impact on the annual accounts are described in a note to the consolidated financial statements.

Through its activities, the parent company is exposed to a wide range of financial risks: market risk (currency risk and interest rate risk), credit risk and liquidity risk. The parent company's overall risk management policy focuses on the unpredictability of financial markets and strives to minimise potential adverse effects on the group's financial results. For more information on financial risks, see the note to the consolidated financial statements.

The parent company applies other accounting principles than the group in the cases indicated below.

Formats
The format prescribed in the Annual Accounts Act is used for the income statement and balance sheet. The statement of changes in equity also follows the format used in the group but is required to contain the columns specified in the Annual Accounts Act. This also means that different names are used than in the consolidated financial statements, primarily with regard to financial income and expense, and equity.

Investments in subsidiaries
Investments in subsidiaries are stated at cost less any impairment. Cost includes acquisition-related costs and any additional considerations.

When there is an indication that investments in subsidiaries are impaired, an estimate is made of the recoverable amount. If the recoverable amount is less than the carrying amount, an impairment loss is recognised. Impairment losses are recognised in the item "Profit/loss from investments in group companies".

Shareholder contributions and group contributions
Group contributions from the parent company to subsidiaries and group contributions received by the parent company from subsidiaries are recognised as appropriations. Shareholder contributions paid are recognised as an increase in the carrying amount of the interest in the parent company and as an increase in equity in the receiving entity.

Financial instruments
IFRS 9 is not applied in the parent company. The parent company instead applies the sections specified in RFR 2 (IFRS 9 *Financial Instruments*, sections 3–10).

Financial instruments are measured at cost. In subsequent periods, financial assets that have been acquired with the intention of being held for the short term are recognised at the lower of cost or market value using the lower of cost or market method.

In calculating the net realisable value of receivables that are current assets, the principles for impairment testing and expected loss provisioning in IFRS 9 is applied. For a receivable that is recognised at amortised cost at group level, this means that the loss provision recognised in the consolidated financial statements in accordance with IFRS 9 is also recognised in the parent company.

Leases

As regards IFRS 16, the parent company intends to apply the exemption provided for in RFR 2 and account for all leases as operating leases.

All leases in which the company is the lessee are accounted for as operating leases regardless of whether the leases are finance or operating leases. Lease payments are expensed on a straight-line basis over the lease term. The company has no leases.

Note 2 Auditors' fees

Specification auditor's fee

PricewaterhouseCoopers	2019	2018
Statutory audit	480	179
Other assurance services	66	-
Other non-assurance services	95	43
Tax consultant services	36	-
Total	677	222

Note 3 Interest and similar income and expenses

Interest and similar income	2019	2018
Exchange rate gains	-	90
Other interest income	7 873	211
Total	**7 873**	**301**

Interest and similar expense	2019	2018
Exchange rate losses	230	-
Interest expense group	-	5 329
Interest expense other	-	-
Interest expense bonds	28 303	7 060
Total	**28 533**	**12 389**

Note 4 Tax

	2019	2018
Income tax expense:		
Current tax:		
Tax payable	-	-
Deferred tax		
Changes in deferred tax	-	321
Changes in tax rate	-	-
Tax expense	**-**	**321**
This years result before tax	**-20 592**	-1499
Tax on profit for the year (average effective tax rate)	4 407	330
Adjustment in respect of current income tax of previous years	-	-
Changes in unrecognised deferred tax asset	-1 155	-
Non deductible expenses	-3 251	-
Tax expense	-	**330**

Tax loss carried forward	2019	2018
Losses carried forward	1 498	1 498
Not capitilised losses carried forward	5 399	-
	6 897	**1 498**

Potential tax benefit 21.4%

In 2018, it was decided that the corporate tax rate in Sweden would be reduced in two stages. The tax rate will be reduced from 22 per cent to 21.4 per cent for financial years beginning on 1 January 2019 or later. In the next stage, the rate will be reduced to 20.6 per cent for financial years beginning on 1 January 2021.

Note 5 Investments in group companies

All amounts in NOK thousand

Subsidiary	Corp. Reg. No	Registered office	Ownership	No. of shares	Carrying amount 2019-12-31	Equity 2019-12-31	Carrying amount 2018-12-31	Equity 2018-12-31
Direct ownership								
Sono Holding Norge AS	995 246 511	Borgenhaugen, NO	100 %	1 000	**190 543**	18 658	190 543	19 366
ACAP Invest AB	556087-7838	Tranås, SE	100 %	8 485 478	**112 847**	255 095	112 847	259 783
Total				**8 486 478**	**303 390**	**273 753**	**303 390**	**279 149**

The share of equity and the share of voting rights are the same.

Note 6 Borrowings

Non-current	2019	2018
Bonds	325 000	325 000
Cost related to the bonds	-9 164	-14 401
Liabilites to group companies	-	-
Total liabilities non-current	**315 836**	**310 599**

The bonds are maturing in full in September 2021. All of the loan is therefore presented at long term liability.

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Note 7 Share capital

See Note 23 to the consolidated financial statements for information on the parent company's share capital.

Note 8 Pledged assets

	2019	2018
Shares in subsidiaries	303 390	303 390

Note 9 Related party transactions

North Investment Group AB (publ) is 88.6 per cent owned by Frigaard Industries AS, corp. ID no. 999 210 384, with registered office in Sarpsborg, Norway. The ultimate consolidated financial statements are prepared by Soland Invest AS, corp. ID no. 987 521 465, with registered office in Sarpsborg, Norway. Related parties are all subsidiaries in the group as well as senior executives in the group and their close family members. Services are purchased and sold to related parties on normal commercial terms and on a commercial basis, and in compliance with the applicable transfer pricing policy. The group has not made any provisions for doubtful debts attributable to related parties and did not recognise any expenses for doubtful debts from related parties during the period. No collateral has been posted for the receivables.

	2019-12-31	2018-12-31
Receivables on related parties:		
ACAP Invest AB	71 385	48 089
NIG Norge AS	57 019	8 000
Other	2 000	12 278
Liabilities on related parties:		
Frigaard Gruppen AS (*)	-	4 515
ACAP Invest AB	-	-
NIG Norge AS	-	-

See specification below

(*) - short term acc payables in 2018

Borrowings from related parties	**2019-12-31**	**2018-12-31**
Loan from Frigaardgruppen		
1 January	-	124 386
New loans	-	-
Repayments	-	-124 386
Interest cost	-	4 443
Interest paid	-	-4 443
31 December	-	-
Loan from ACAP Invest		
1 January	-	11 918
New loans	-	-
Repayments	-	-11 918
Interest cost	-	-
Interest paid	-	-
31 December	-	-
Loan from NIG Norge		
1 January	-	29 549
New loans	-	-
Repayments	-	-29 549
Interest cost	-	886
Interest paid	-	-886
31 December	-	-

Note 10 Appropriation received

	2019	2018
Group contribution received	2 000	12 278

Note 11 Appropriation of profit or loss

Proposed appropriation of profits or loss

Proposed appropriation

The Board of Directors proposes that the earnings be appropriated as follows:

retained earnings	29 876
rights issue	24 525
this year's loss	-20 592
To be carried forward	33 809

The group's income statements and balance sheets will be presented for approval to the Annual General Meeting on 23 April 2020.

The Board of Directors and Chief Executive Officer certify that the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and provide a true and fair view of the group's financial position and results. The annual accounts have been prepared in accordance with generally accepted accounting standards and provide a true and fair view of the parent company's financial position and results.
The auditor's report for the group and parent company provides a true and fair overview of the development of the group's and parent company's business, financial position and results, and describes significant risks and uncertainties faced by the parent company and the companies included in the group.

Tranås, 23 April 2020

Helge Stemshaug Chairman of the Board	Trond O. Frigaard Director	Mads Langaard Director

Ole Vinje
Chief Executive Officer

We submitted our auditor's report on 23 April 2020

PricewaterhouseCoopers AB

Frida Wengbrand	Jakob Sverlander
Authorised Public Accountant	Authorised Public Accountant
Auditor in Charge	

Auditor's report

To the general meeting of North Investment Group AB (publ), Corp. Reg. No. 556972-0468.

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of North Investment Group AB (publ) for 2019, except for the corporate governance statement on pages 6-8.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of Parent Company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 6-8. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopt the income statement and balance sheet for the Parent Company and the income statement and statement of financial position for the Group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the Board of the Parent Company and the Group in accordance with the Audit Regulation (537/2014) Article 11.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where the Managing Director and Board of Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of the Board of Directors' and Managing Director's override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

North Investment Group AB's operations are essentially conducted exclusively in Sweden and Norway through about 20 companies. The Accounting function is centralised to a Swedish and a Norwegian function that report to the head office in Sweden. In our assessment of the level of audit that needed to be carried out in each entity, we considered the geographic distribution of the Group, the size of each entity and the specific risk profile represented by each unit. In light of this, we made the assessment that, in addition to the Parent Company in Sweden, a complete audit was to be carried out of the financial information prepared by the 12 significant subsidiaries that have their registered office in Sweden and Norway. In Sweden, the audit was performed by the group team, and in Norway we engaged a local team from the PwC network. The group team studied the work performed by this entity auditor in order to ensure that sufficient audit evidence had been collected, and also remained in regular contact to gain an understanding of how the audit had been carried out. For an additional entity in Norway that we believe did not warrant a complete audit, we instructed the entity auditor to carry out specifically designed audit procedures. For other entities, whose total operation comprise only a small portion of the Group's business, our group team performed an analytical examination.

In addition to the activities carried out for the entities described above, which are encompassed by the Group's reporting or timetable, local statutory audits are performed wherever required. Furthermore, the group team audited the Group consolidation, the Group's annual accounts and assessed a number of complex transactions and matters, such as acquisition analyses, impairment testing of goodwill and valuing tax assets attributable to Swedish loss carry-forwards. Overall, this means that we have ensured that sufficient auditing has taken place, and mainly within the PwC network.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of goodwill	
The Group recognised goodwill of SEK 246 M as per 31 December 2019, divided between two cash-generating units – Sono Sweden and Sono Norway. Since this asset is not amortised on a continuous basis, an impairment test is to take place at least once a year. North Investment Group performed a test in the fourth quarter of 2019 and had not identified any impairment requirement as per 31 December 2019. Such a test includes assumptions about, for example, future growth, profitability and the discount rate. Accordingly, management and the Board must make complex assessments and estimates. This is a key audit matter since the amount of the asset is material and the assumptions required include judgements and estimates that individually could be crucial to the valuation. The significant assumptions applied to impairment testing are described in Note 15.	We have evaluated and assessed that the company's valuation model is consistent with accepted valuation techniques and methods. The most important assumptions made by management and the Board in the impairment test are profitability, growth and the discount rate. We have assessed these assumptions by comparing against budget and strategic plans as well as past outcomes. We also performed an independent assessment based on market-economic conditions for the cash-generating units. We compared discount rates with observable market data. We also examined the consistency of the significant assumptions compared with prior years. We challenged management's assumptions by performing our own sensitivity analyses, tested the safety margins and assessed the risk of an impairment requirement arising. These tests also formed the basis of our examination of the disclosures provided in Note 15 of the annual report. All in all, we did not make any observations in our examination of the valuation of goodwill that were material to the audit as a whole.

Valuation of deferred tax assets attributable to tax loss carry-forwards

Notes 4 and 13 state that the Group recognises a deferred tax asset of a material amount. These tax assets are primarily attributable to tax loss carry-forwards in Sweden.

To assess the value of the deferred tax assets, management and the Board have to make assumptions about the amount of future taxable earnings, which is affected by market conditions, the performance of the company and applicable tax legislation. Complexity increases since Sweden has introduced rules on limiting interest deductions, including time restrictions. Swedish loss carry-forwards are otherwise not limited in time.

This is a key audit matter since the amount of the asset is material and the assumptions required include judgements and estimates that individually could be crucial to the valuation.

Initially, we compiled the calculations that management prepared for Sweden to assess the possibility of utilising the loss carry-forwards in future years.

We checked that the forecasts used were those approved by the Board and we compared net sales and profitability with the outcomes in prior years. We examined the consistency of impairment testing of goodwill.

In this examination, we investigated whether the Swedish rules on limiting interest deductions affect the possibility of utilising the loss carry-forwards or their amounts, and that, where applicable, these were taken into consideration in accordance with generally accepted accounting policies.

We also checked that the disclosures presented by the Group in Notes 4 and 13 were correct. The same Notes state that the Group took into consideration the effect of the rules on limiting interest deductions, which meant that not all of the loss carry-forwards in Sweden were recognised as assets.

All in all, we did not make any observations in our examination of deferred tax assets attributable to loss carry-forwards that were material to the audit as a whole.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is, however, not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden 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 annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on website of the Swedish Inspectorate of Auditors: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of North Investment Group AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our 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 opinions.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the Parent Company's and the Group' equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the organisation and administration of the company's affairs. This includes, among other things, continuous assessment of the company's and the Group's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on the website of the Swedish Inspectorate of Auditors: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for ensuring that the corporate governance statement on pages 6–8 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement has been conducted in accordance with FAR's auditing standard RevU 16 The Auditor's Examination of the Corporate Governance Statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with Chapter 6, Section 6, second paragraph, points 2-6 of the Annual Accounts Act and Chapter 7, Section 31, second paragraph of the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

PricewaterhouseCoopers AB, Torsgatan 21, SE-113 97 Stockholm, was appointed auditor of North Investment Group AB (publ) by the general meeting on the 13 May 2019 and has been the company's auditor since 2014. North Investment Group AB (publ) has been a public interest entity since 5 September 2019.

Jönköping, 23 April 2020

PricewaterhouseCoopers AB

Frida Wengbrand
Authorised Public Accountant
Auditor in Charge

Jakob Sverlander
Authorised Public Accountant