Swedish Electromagnet Invest AB (publ)

Corp. Id. No 559153-6510

Annual accounts and consolidated accounts for the financial year

26 March 2018 – 31 December 2018

Ownership structure

Swedish Electromagnet Invest AB(publ) (the ”Company”), is majority owned by Procuritas Capital Investors V, L.P. headquartered in Guernsey. The Company owns Swedish Electromagnet Holding Group (the ”Group”) in which SEM AB, headquartered in Åmål, Sweden, SEM Technology (Suzhou) Co., Ltd in China, SEM Technology Inc. in the US and Senfusion AB in Sweden are included.

The Group is a leading supplier of high-technology products and systems of drivelines to heavy duty. Among the products and systems might be mentioned ignition systems, injector stators and sensors, the main functions of which are natural gas and diesel powered trucks and buses. Moreover, the Group produces ignition systems for professional hand-held tools, such as chainsaws, trimmers and leaf blowers. Sales are performed through the Group’s own sales companies all over the world, and customers include well-known OEMs, Tier 1 and Tier 2 suppliers to the heavy-duty vehicle and automotive industry.

The production of natural gas ignition systems, stators and sensors is mainly performed in the factory in Åmål, while ignition systems for hand-held products and solenoids are performed at the subsidiary, SEM Technology (Suzhou) Co., Ltd, in China.

Significant events during the financial year

Swedish Electromagnet Invest AB (publ) has issued a senior secured bond with a nominal value of SEK 350 million in order to acquire the Group. For consideration, the Group’s owner received component of cash consideration and a shareholders’ contribution component.

Significant events after the end of the reporting period

After the balance sheet date, SEM has signed an agreement with a Tier 1 supplier, with the purpose of delivering an ignition system and injector steering for a NG powered engine.

Expected future development and significant risks and uncertainties

The Company does not provide any forward-looking outlooks.

The Company is a player in the global automotive industry, which implies exposure to the global political and financial development. Furthermore, the Company believes that currency exposure is a potential risk in the current year.

Development

The Group performs extensive development within its operations and currently owns 44 patents.

Use of financial instruments

The Group’s financial assets mainly comprise trade receivables, other receivables, accrued income and cash and cash equivalents.

The Group’s financial liabilities mainly comprise liabilities to bond, other current receivables, trade payables, other liabilities and accrued expenses.

Environmental impact (operations subject to licensing and notification in accordance with the Swedish Environmental Code)

In the Group, SEM AB performs operations subject to licensing and has all licenses in accordance with the Swedish Environmental Code and from licensing authorities. SEM AB is ISO 14001 and ISO 45001 certified.

Proposed allocation of profit or loss

The Board of Directors proposes to the AGM that the retained earnings be allocated so that KSEK 323,535 be carried forward.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in KSEK	Note	26 Mar 2018 – 31 Dec 2018
Net sales	6	15 449
Cost of goods sold		-11 526
Gross profit/loss		**3 923**
Selling expenses	8	-456
Administrative expenses	8	-1 521
Research and development expenses	2.8(ii)	-1 614
Other operating income	2.9	5
Other operating expenses	2.9	-38
Operating profit		**299**
Financial income	11	2
Financial expenses	11	-1 337
Financial items – net		**-1 335**
Profit before tax		**-1 036**
Income tax	12	220
Profit for the year		**-816**
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences from translation of foreign operations		**-93**
Items that will not be reclassified to profit or loss:		
Revaluation of the net pension obligation	2.18(ii)	**-373**
Income tax attributable to the above item		**77**
Other comprehensive income for the year, after tax		**-389**
Total comprehensive income for the year		**-1 205**

Profit (loss) for the year and total comprehensive income are, in their entirety, attributable to shareholders of the Parent Company.

Earnings per share for the year were SEK -0.04

The notes on pages 8 to 30 constitute an integrated part of these consolidated statements.

CONSOLIDATED BALANCE SHEET

Amounts in KSEK	Note	31 Dec 2018
ASSETS		
Fixed assets		
Intangible assets		
Goodwill	15	505 092
Capitalised development expenditure	15	555
Total intangible assets		**505 647**
Tangible assets		
Plant and machinery	14	8 026
Equipment, tools, fixtures and fittings	14	51 665
Total tangible assets		**59 691**
Financial assets		
Deferred tax assets	27	1 948
Total financial assets		**1 948**
Total fixed assets		**567 286**
Current assets		
Inventories		
Raw materials and consumables	18	33 318
Work-in-progress	18	2 978
Finished goods and goods for resale	18	16 102
Total inventories		**52 398**
Current receivables		
Accounts receivable	17	80 926
Current tax assets	2.7	917
Other receivables	19	4 360
Prepaid expenses and accrued income	20	2 672
Cash and cash equivalents	21	37 999
Total current receivables		**126 874**
Total current assets		**179 272**
TOTAL ASSETS		**746 558**

The notes on pages 8 to 30 constitute an integrated part of these consolidated statements.

CONSOLIDATED BALANCE SHEET

Amounts in KSEK	Note	31 Dec 2018
EQUITY		
Equity attributable to shareholders of the Parent Company		
Share capital	22	500
Other contributed capital	22	325 000
Reserves	22	-93
Retained earnings, including profit (loss) for the period	22	-1 112
Total equity attributable to shareholders of the Parent Company		**324 295**
LIABILITIES		
Non-current liabilities		
Bond loan	23	342 771
Provisions for pensions and similar obligations	25	5 226
Deferred tax liabilities	27	1 985
Total non-current liabilities		**349 982**
Current liabilities		
Accounts payables	2.19	31 293
Other current liabilities	28	21 228
Accrued expenses and deferred income	29	18 810
Other provisions	26	950
Total current liabilities		**72 281**
Total liabilities		**422 263**
TOTAL EQUITY AND LIABILITIES		**746 558**

The notes on pages 8 to 30 constitute an integrated part of these consolidated statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in KSEK	Attributable to shareholders of the Parent Company					
	Note	Share capital	Other contributed capital	Reserves	Retained earnings, including profit (loss) for the year	Total equity
Opening balance at 26 March 2018						-
Profit for the year					-816	-816
Other comprehensive income for the year				**-93**	-296	-389
Total comprehensive income for the year				**-93**	**-1 112**	**-1 205**
Transactions with shareholders in their role as owners						
New share issue		500				500
Shareholders' contributions			325 000			325 000
Closing balance at 31 December 2018		**500**	**325 000**	**-93**	**-1 112**	**324 295**

The notes on pages 8 to 30 constitute an integrated part of these consolidated statements.

CONSOLIDATED CASH FLOW STATEMENT

Amounts in KSEK	Note	26 Mar 2018 – 31 Dec 2018
Cash flow from operating activities		
Operating profit		299
Adjustments for non-cash items		
- Depreciation of tangible assets and amortisation of intangible assets		1 117
- Exchange differences		-174
Interest received		2
Interest paid		-1 337
Income tax paid		2 928
Cash flow from operating activities before changes in working capital		**2 835**
Cash flow before changes in working capital		
Increase/decrease in inventories		1 042
Increase/decrease in trade receivables		1 998
Increase/decrease in other current receivables		-6 171
Increase/decrease in trade payables		554
Increase/decrease in other current receivables		-676
Cash flow before changes in working capital		**-3 253**
Cash flow from operating activities		**-418**
Cash flow from investing activities		
Acquisitions of subsidiaries, after adjustments for acquired cash and cash equivalents	13,34	-55 259
Investment in intangible assets		
Investment in property, plant and equipment	14	-3 963
Investments in other financial assets	16	173
Cash flow from investing activities		**-59 049**
Cash flow from financing activities		
Share issue	33	500
Issuance of bond loan	33	342 771
Repayment of debt	33	-248 064
Repayment of financial leasing debt	33	2 355
Cash flow from financing activities		**97 562**
Decrease/increase of cash and cash equivalents		
Opening cash and cash equivalents		-
Net cash flow during the financial year	2.21	38 095
Exchange rate differences in cash and cash equivalents	22	-96
Closing cash and cash equivalents		**37 999**

The notes on pages 8 to 30 constitute an integrated part of these consolidated statements.

Notes to the consolidated statements

1. General

Swedish Electromagnet Invest AB (publ), corporate identity number 559153-6510, is a limited company, registered in Sweden and headquartered in Åmål. The address of the head office is: Swedish Electromagnet Invest AB, c/o SEM Aktiebolag, Box 30, 662 00 Åmål, Sweden.
The operations of the Parent Company and its subsidiaries comprise development, manufacturing and marketing of emission critical and high-technological components for heavy-duty commercial vehicles ("HDCV"). Core areas include a number of different ignition systems, injectors stators and sensors, primarily for natural gas ("NG") and diesel powered HDCVs, as well as smaller ignition systems for hand-held tools for the professional. The Groups sells its products through its own sales channels all over the world, and customers include well-known OEMs, both Tier 1 and Tier 2 within the industry.

These consolidated accounts were approved for publication by the Board of Directors on the 24 April 2019.
Unless otherwise stated, all amounts are in thousands of SEK (KSEK).

2.Summary of significant accounting policies

Included in the Note is a list of significant accounting policies applied in the preparation of these consolidated financial statements. These policies were applied consistently for all years presented, unless otherwise stated. The consolidated financial statements encompass the legal Parent Company Swedish Electromagnet Invest AB (publ) and its subsidiaries.

2.1 Basis of Preparation

(i) In accordance with IFRS

The consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary rules for groups, and International Financial Reporting Standards (IFRS) and interpretations from IFRS Interpretations Committee (IFRS IC), as endorsed by the EU.

The consolidated financial statements were prepared in accordance with the cost method.

These consolidated financial statements contain Swedish Electromagnet Invest AB's second consolidated financial statements, and the accounting principles chosen for the preparation are IFRS (International Financial Reporting Standards). The Parent Company was established on the 26 March 2018, which is also the initiation date for the Group.

The preparation of annual accounts in accordance with IFRS requires that qualified estimates and assessments be used for accounting purposes. Furthermore, company management exercises its judgement in the application of the Group's accounting policies. Those areas that include a high level of assessment, that are complex or such areas where assumptions and estimations are of material importance for the consolidated financial statements are stated in Note 4 Significant accounting estimates and assessments.

(ii) New and amended standards not yet applied by the Group

A number of new standards and interpretations become valid for financial years commencing on the 1 January 2019 and later, have not been applied in the preparation of this interim report. Below is a preliminary assessment of the effect from the standards that are deemed to be relevant for the Group:

IFRS 16 Leases.

In January 2016, IASB published a new leasing standard that will replace IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires that assets and liabilities attributable to all leases, with a few exceptions, are recognised in the balance sheet. This recognition is based on the view that the lessee has a right to use an asset during a specific period of time and at the same time has an obligation to pay for this right. Reporting for the lessor will, in all significant aspects, be unchanged. The standard is applicable from financial years beginning on the January 1, 2019 or later, and will be applied by the Group starting on the 1 January 2019.

The Group will apply the simplified transition method, which implies that rights of use are valued at an amount corresponding to the leasing debt of the 1 January 2019 (adjusted for prepaid and accrued leasing fees). The transition to IFRS 16 will, therefore, not have an impact of equity for the Group. As the simplified transition method will be used, comparative amounts for 2018 will not be adjusted. For leases that were previously classified as financial leases, the carrying value of the right of use asset and the leasing debt as of the 1 January 2019, will be the carrying value of the asset and the leasing debt as of the 31 December 2018.

The Group has chosen to apply the exception and not recognise short-term leases and leases for which the underlying asset is of a lower value as a portion of the right of use asset and the leasing debt in the balance sheet. Payments attributable to these leases will instead be recognised at cost at a straight-line basis over the lease term. Remaining leases consist, in all significant aspects, of premises and cars. The Group expects the lease obligations for these to be recognised as rights of use amounting to approximately 27,0 MSEK, lease liabilities (non-current and current) of 27,0 MSEK on 1 January 2019.

No other of the interpretations of IFRS or IFRIC interpretations that have yet not entered into force, are expected to have a material impact on the Group.

2.2 Consolidated financial statements

(i) Subsidiaries

Subsidiaries are all companies in which the Group has a controlling influence. The Group has control over a company when it is exposed to or have a right to variable returns from its participation in the company, and has the possibility to influence the return through its participation in the company. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to recognise the Group's business combinations. The acquisition price is the consideration paid for a subsidiary and comprise the fair value of the assets transferred, the liabilities incurred by the Group to the previous owner of the company. The consideration also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

Inter-company transactions, balance sheet items and unrealised gains and losses on transaction between Group companies are eliminated. The accounting principles for subsidiaries have, when necessary, been revised in order to ensure a consistent application of the Group's accounting principles

2.3 Segment reporting

The operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The CEO is the chief operating decision maker and evaluates financial position and performance and makes strategic decisions. The internal reporting consists of the following-up of performance measures for the Group as a whole. When the chief operating decision maker makes decisions regarding the allocation of resources and measure results for the Group as a whole, the Group in its entirety is deemed to make up one segment.

2.4 Foreign currency translation

(i) Functional currency and presentation currency

The entities in the Group have the local currency as their functional currency, as the local currency has been defined as the primary economic environment in which each entity operates. The consolidated accounts are presented in SEK, which is the Parent Company's functional and the Group's presentation currency.

(ii) Transactions and balance sheet items

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the transaction dates. Foreign exchange-rate profits and losses from such transactions and at the translation of monetary assets and liabilities in foreign currencies using the exchange rates prevailing at the balance sheet date, are recognised in operating profit (loss) in other comprehensive income.

Foreign exchange-rate profits and losses attributable to liabilities and cash and cash equivalents are recognised in the statement of comprehensive income as financial income and financial costs. All other foreign exchange-rate profits and losses are recognised under other operating costs and other operating income, respectively.

(iii) Translation of foreign Group companies

Profit (loss) and financial position for all companies with a functional currency other than the reporting currency are translated to the reporting currency of the Group. Assets and liabilities for each of the balance sheets are translated from the foreign operation's functional currency to the Group's reporting currency, using the exchange rates prevailing at the balance sheet date. Income and costs for each of the income statements are translated to SEK using the average exchange rate prevailing at each transaction date. Foreign exchange differences arising from the currency translation of foreign operations are recognised in other comprehensive income. Accumulated profit or loss are recognised in profit (loss) for the period when the foreign entity is disposed of, wholly or in part. Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities in these operations and are translated to the exchange rate at the balance sheet date.

2.5 Revenue recognition

(i) Sales of goods and services

Revenue from external customers mainly comprise the development and manufacturing of highly engineered mission critical powertrain components for heavy duty commercial vehicles ignition systems such as a range of ignition systems, injector stators and sensors, primarily used for natural gas ("NG") and diesel powered HDCVs as well as ignition systems for handheld professional power tools.

The sales of customer specific ignition systems and components are recognised as income over time. The income is recognised as ignition systems and components are finished and delivered. The sales of customer specific tools and design services are recognised over time, as the tools do not have any alternative use for the Group. Income is recognised as the tools are finished

The agreements usually contain a number of performance obligations, such as the manufacturing of products, development services and design services. If an agreement includes more than one performance obligation, the transaction price is allocated to each separate performance obligation, based on their independent sales prices. In those cases when an independent sales price is not directly observable, the price is estimated based on expected costs plus a profit margin. The transaction price is set, but there might be variable remuneration in the shape of volume rebates, based on accumulated sales over a 12-month period. The income from the sales is recognised based on the price in the agreement, less deducted calculated rebates. Sales forecasts are used to estimate the expected values of the rebates, and income is only recognised to the extent that it is highly probable that a significant reversal will not occur. A contractual liability is recognised for expected volume rebates in relation to sales up until and including the balance sheet date.

The Group's obligation to repair or replace defective instruments in accordance with normal guarantee regulations is recognised as a provision.

A receivable is recognised when the goods have been delivered, as this is the point in time when paying becomes unconditional.

(ii) Interest income

Interest income is recognised with the application of the effective interest method.

2.6 Leases

The Group acts in the capacity of lessee. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under the lease term (net of any incentives received from the lessor) are expensed in the statement of comprehensive income on a straight-line basis over the lease term.

Leases of property, plant and equipment in which a significant portion of the risks and rewards of ownership are transferred to the Group, are classified as financial leases. At the beginning of the lease, the Group recognizes the financial leasing in the balance sheet at the lower of the leased asset's fair value or the present value of minimum lease payments. The equivalent payment undertaking, less financial costs, is included in the balance-sheet items long-term funding and short-term funding. Every lease payment is distributed between interest and amortisation of debt. The interest is recognised in profit or loss over the lease term, so that each reporting period is charged with an amount equivalent to a fixed interest rate for the liability recognised for each period. Non-current assets held under finance lease agreements are depreciated over their useful life or during the shorter period of the asset's useful life and lease term, unless it is possible to determine with a reasonable degree of assurance that ownership rights are transferred to the lessee at the end of the lease term.

Currently, the Group has leases classified as operational leases, as well as classified as financial leases (machinery and equipment).

2.7 Current and deferred income tax

Tax cost for the period comprises current tax calculated based on the taxable profit (loss) for the period in accordance with valid tax rates. The cost of current tax is adjusted for changes in deferred tax assets and tax liabilities attributable to temporary differences and non-utilised loss carry-forwards.

The cost of current tax is calculated based on the tax rules that are decided, or in practice decided, in those countries in which the Parent Company and its subsidiaries have operations and generate taxable income. Management regularly assesses the claims made in in tax returns regarding situations where applicable tax rules are subject to interpretations. When deemed necessary, management will make provisions for the amounts that are likely to be payable to the tax authorities.

Deferred tax is recognised for all temporary differences that arise between the taxable value of assets and liabilities and their carrying values in the consolidated financial statements. However, a deferred tax liability is not recognised if it arises as a result of the initial recognition of goodwill. Neither is a deferred tax liability recognised if it arises as a result of a transaction that constitutes the initial recognition of an asset or a liability that is not a business combination and which, at the date of the transaction, neither impacts the carrying value nor the taxable profit (loss). Deferred income tax is calculated applying tax rates (or regulations) decided or announced as per the balance sheet date and which are expected to be valid when the deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that there will be future taxable surpluses against which the temporary differences can be utilised.

Deferred tax assets and tax liabilities are offset when there is a legal right of offsetting for current tax assets and tax liabilities, and when the deferred tax assets and tax liabilities are attributable to taxes charged by the same tax authorities, and are either attributable to the same tax subject or different tax subjects, where there is an intention to settle the balances through net payments.

Current and deferred tax is recognised in the statement of comprehensive income, except for tax attributable to items that are recognised in other comprehensive income or directly in equity. In such cases, tax is recognised, too, in other comprehensive income and equity, respectively.

2.8 Intangible assets

(i) Goodwill

Goodwill arises at the acquisition of subsidiaries and consists of the amount by which the consideration, any non-controlling interest in the acquired company and fair value at the acquisition dates of previous shareholdings exceeds the fair value of identifiable net assets acquired.

In order to perform impairment tests, goodwill acquired in a business combination is allocated to cash generation units or groups of cash generating units that are expected to be benefited with synergies from the acquisition. Each unit or group of units to which goodwill has been allocated correspond to the lowest level in the Group for which the goodwill in questions is monitored in the internal governance. Goodwill is monitored based on the Group as a whole.

(ii) Capitalised expenditure for development activities

Development costs, where research results or other knowledge is applied in order to produce new or enhanced ignition systems or components, are recognised as an asset in the statement of financial position if the following criteria are met:

- it is technically feasible to complete the products so that they will be available for use;
- it is the Company's purpose to complete them so that they will be available for use or sale;
- there are prerequisites to make the products available for use or sale;
- it is possible to prove how the products are likely to generate future economic benefits;
- there are adequate technical, economic and other resources to fulfill the development and to make the products available for use or sale; and
- the costs attributable to the products during development can be reliably calculated.

The carrying value includes costs of material and direct costs for salaries. Other development costs are recognised in the statement of comprehensive income as a cost as incurred. In the statement of financial position capitalised development costs are reported at cost less accumulated depreciation and any impairment. Capitalised development expenditure is recognised as intangible assets and is depreciated from the date when the asset is ready for use. The estimated useful life is 3-5 years, which corresponds to the estimated period of time during which these assets will generate cash flows.

Development costs, that do not meet these criteria, are expensed as incurred.

Development expenditure previously carried at cost is not recognized as an asset in a subsequent period.

2.9 Property, plant and equipment

Property, plant and equipment mainly comprise machinery and other technical equipment, tools, fixtures and fittings. Property, plant and equipment are recognised at cost less depreciation. In cost is included expenditure directly attributable to the acquisition of the asset.

Additional costs are added to the asset's carrying value or are recognised as a separate asset, depending on which is most suitable, only when it is probable that the future economic benefits attributable to the asset will flow to the Group and the cost of the asset can be reliably measured. The carrying value of the replaced component is derecognised from the statement of financial position. All other kinds of reparations and maintenance are recognized at cost in the statement of comprehensive income in the period in which they occur.

Depreciation of assets, in order to allocate their cost to their estimated residual value over their estimated useful lives, is done on a straight-line basis according to the following:

- Tools tied to the production 3 - 5 years
- Machinery and equipment 5 - 10 years
- Cars and computers 3 - 5 years

The assets' residual values and useful lives are assessed at the end of each reporting period and adjusted, if needed.

The carrying value is immediately written down to its residual value if the asset's carrying value exceeds its estimated residual value.

Profit or loss from disposals is established through a comparison of the profit from the sales and the carrying value, and is recognised in "Other operating income" and "Other operating costs", respectively, in the statement of comprehensive income.

2.10 Impairment of non-financial assets

Goodwill with an indefinite useful life or intangible assets not ready for use are not depreciated, but are tested for impairment annually or, at an indication of an impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is made in the amount to which the asset's carrying amount exceeds the recoverable amount. The recoverable amount is the greater of an asset's fair value, less cost to sell and the asset's value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separate, identifiable cash flows (Cash Generating Units, CGUs). For assets (other than goodwill) that have previously been impaired, a test of impairment is performed on each balance sheet date if a reversal ought to be done.

2.11 Financial instruments

(i) Initial recognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual terms and conditions of the instrument. Purchases and sales of financial assets and liabilities are reported on the trade date, that is, the date on which the Group commits itself to purchase or sell the asset.

Financial instruments are initially valued at fair value plus, for an asset or liability which is not recognised at fair value through profit or loss, transaction costs directly attributable to the acquisition or issuance of a financial asset or a financial liability, e.g., fees and commission fees.

(ii) Financial assets - Classification and measurement

The Group classifies and measures its financial assets in the category financial assets recognised at amortized cost

Financial assets at amortised cost

The classification of investments in debt instruments is dependent on the Group's business model or managing financial assets and the contractual terms and conditions for the assets' cash flows. The Group only reclassifies debt instruments in case the Group's business model for the instruments is changed.

Assets held with the sole purpose of collecting contractual cash flows, and where these cash flows comprise only principal and interest, are carried at amortised cost. Interest income from such financial assets are recognised as financial income with application of the effective interest method.
The Group's financial assets valued at amortized cost comprise the items other financial assets, trade receivables, other receivables, accrued income and cash and cash equivalents.

(iii) Derecognition of financial assets

Purchases and sales of financial instruments are reported on the trade date, that is, the date on which the Group commits itself to purchase or sell the asset. 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, in all significant aspects, transferred all risk and benefits associated with the ownership. Profits and losses arising from derecognition from the balance sheet are recognised directly in profit and loss.

(iv) Financial liabilities - Classification and measurement

After initial recognition, the Group's financial liabilities are valued at amortised cost applying the effective interest method.

The Group's financial liabilities measured at amortised cost comprise the items bond loans, other non-current liabilities, trade payables, other liabilities and accrued costs.

(v) Derecognition of financial liabilities

Financial liabilities are derecognised from the statement of financial position when the obligations are settled, cancelled or has expired in any other way. The difference between the carrying value of a financial liability that has been extinguished or transferred to another party and the fee paid, including assets transferred, assets that are not cash and cash equivalents or assumed liabilities, are reported in the statement of comprehensive income.

When the terms and conditions of a financial liability are re-negotiated and are not derecognised from the statement of financial position, a profit or loss is reported in the statement of comprehensive income. The profit or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

(vi) Offsetting of financial instruments

Financial assets and liabilities are offset and recognised with a net amount in the statement of financial position only when there is a legal right to offset the recognized amounts and an intention to balance the items with a net amount, or to simultaneously realise the asset and settle the liability. The legal right must not be dependent on future events and it must be legally binding for the Company and the counterparty, both in the normal course of business and in case of suspension of payments, insolvency or bankruptcy.

(vii) Impairment of financial assets recognised at amortised cost

The Group assesses future credit losses associated with assets recognized at amortized cost. The Group recognises a credit reserve for such expected credit losses on each reporting date. For trade receivables, the Group applies the simplified approach, i.e., the reserve will correspond to the expected loss over the lifetime of the trade receivable. In order to measure the expected credit losses, trade receivable have been grouped based on shared credit risk characteristics and the days past due. The Group applies forward-looking variables for expected credit losses. Expected credit losses are recognized in the consolidated statement of comprehensive income, in the items other external costs.

2.12 Inventories
Inventories are recognised at the lower of cost and net realisable value. Cost comprises direct cost of goods, direct salaries and attributable direct manufacturing costs (based on normal manufacturing capacity). Borrowing costs are not included. The cost of individual items in inventories are allocated based on weighted average costs. The cost of gods for resale is established after deduction of rebates. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Trade receivables
Trade receivables are amounts attributable to customers regarding goods or services sold in the ordinary course of business. Trade receivables are initially recognised at fair value (transaction price). The Group hold the trade receivables in order to collect contractual cash flows and they are, therefore, recognised at the subsequent reporting date at amortised cost using the effective interest method, less loss allowance provisions.

2.14 Cash and cash equivalents
In cash and cash equivalents are included, both in the statement of financial position and the statement of cash flow, bank balances.

2.15 Share capital
Ordinary shares are classified as equity.

2.16 Borrowings
Borrowings are initially recognized at fair value, net of transaction costs. Borrowings are subsequently recognised at amortized cost and any difference between the amount received (net of transaction costs), and the amount to be repaid is recognized in the statement of comprehensive income, distributed over the term of the loan, using the effective interest method.

Borrowings are derecognised from the statement of financial position when the obligations are settled, cancelled or has expired in any other way. The difference between the carrying value of a financial liability (or a portion of a financial liability) that has been extinguished or transferred to another party and the fee paid, including assets transferred, assets that are not cash and cash equivalents or assumed liabilities, are reported in the statement of comprehensive income.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer payment of the liability for at least 12 months after the end of the reporting period.

2.17 Provisions
Provisions for restructurings, legal claims, guarantee commitments and restoration measures are recognised when the Group has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. No provisions are made for future operating losses.

Should there be a number of similar obligations, an assessment is made of the probability that an outflow of recourses will be needed at settlement for the whole group of obligations. A provision is recognised even though the probability for an outflow attributable to a certain item in this group is insignificant.

Provisions are measured at the present value of the expenditure required to settle the present obligation. For this purpose, a discount rate is used reflecting a current market evaluation of the time value of money and the risks associated with the provision. The increase of the provision due to the passing of time is recognised as interest costs.

Provisions for product guarantees are based on historic information of expenses incurred to settle requirements according to the warranty conditions.

2.18 Employee benefits
(i) Short-term benefits to employees

Liabilities for salaries and remuneration, including non-monetary benefits and paid sick leave, that are expected to be settled within 12 montshs after the end of the financial year, are recognized as current liabilities at the non-discounted amount expected to be paid when the liabilities are settled. The cost is recognised in the statement of comprehensive income as the services are rendered by the employees. The liability is recognized as a liability regarding employee benefits in the consolidated statement of financial position.

(ii) Pension obligations

Within the Group, there are both defined-contribution plans and defined-benefit plans. A defined-contribution plan is a pension plan according to which the Group pays a fixed amount to a separate legal entity. The Group has no legal or constructive obligation to pay additional premiums of this legal entity does not have adequate means to pay all benefits to employees, attributable to their service in current or previous periods. The premiums are reported as personnel costs in the statement of comprehensive income when they fall due.

The Group has pension obligations secured through a capital insurance. The employee carries the actuarial risk and the investment risk, and the Group carries no risk. Therefore, pension obligations are classified as defined contribution plans, and for that reason neither the asset (the capital insurance) or the obligation (the pension obligation) is recorded in the statement of financial position.

Pension obligations for Swedish white-collar employees, which is secured through an insurance with Alecta, are reported as a defined contribution plan. According to a statement from the Swedish Financial Reporting Board, UFR 10 Accounting for the pension plan ITP 2 financed through an insurance in Alecta, this is a defined benefit multi-employer plan. For the financial year 2018, the Group has not had access to information in order to be able to report its proportional share of the obligations of the plan, plan assets and costs and, therefore, it has not been possible to recognize the plan as a defined benefit plan. The ITP 2 pension plan, secured through an insurance with Alecta, is therefore reported as a defined contribution plan. The premium of the defined contributions plan for retirement pensions and survivor's pension is calculated individually, and is, among other factors, based on salary, previously earned pension and expected remaining years of service. Expected premiums for the next reporting period for ITP 2 insurances signed with Alecta is 2 760 KSEK.

The collective consolidation level comprises the market value of Alecta's assets as a percentage of the insurance obligations in accordance with Alecta's actuarial methods and assessments, which do not comply with IAS 19. The collective consolidation level should normally be allowed to vary between 125% and 155%. If Alecta's collective consolidation level falls below 125% or exceeds 155%, measure should be taken in order for the consolidation level to return to the normal interval. At a low consolidation, one measure might be to increase the price when signing new insurance agreements and an expansion of existing benefits. At a high level of consolidation, one measure might be to introduce lower premiums. At the end of the financial year 2018, Alecta's surplus of the collective consolidation level was preliminary, 142 procent.

The Group has defined benefit plans in the PRI system. The liability recognised in the statement of financial position regarding the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period. Independent actuaries with the application of the projected unit credit method calculate the defined benefit obligation annually. The present value of the defined benefit obligation is established through discounting of estimated future cash flows using the interest rate for first class corporate bonds/ mortgage bonds issues in the same currency as that, in which the remuneration will be paid with terms comparable with the pension obligation in question.

Revaluation profits and losses resulting from experience-based adjustments and changes in actuarial assumptions are recognised in other comprehensive income in the period in which they are incurred. They are included in retained earnings in the statement of changes in equity and in the statement of financial position.

Cost for services rendered during previous periods are recognised directly in the statement of comprehensive income.

2.19 Trade payables

Trade payables are financial instruments and refer to the obligation to pay for goods and services acquired in the normal course of business from suppliers. Trade payables are classified as current liabilities if they fall due within one year. In other cases, they are recognized as non-current liabilities.

Trade payables are initially recognised at fair value, and subsequently at amortised cost, applying the effective interest method.

2.20 Dividends

Dividends to the Parent Company's shareholders are recognised as a liability in the consolidated financial statements in the period when the dividend is approved by the Parent Company's shareholders.

2.21 Cash Flow Statement

Cash flow statements are prepared in accordance with the direct method. The cash flow recognized comprise only transactions that have given rise to payments to or from the Company.

3. Financial risk management

3.1 Financial risk factors

Through its operations, the Group is exposed to various financial risks attributable to accounts receivable, accounts payable and loans. Market risk, mainly interest risk and currency risk, credit risk, liquidity risk and refinancing risk. The Group strives to minimise potential unfavourable effects from these risks on the Group's financial results.

The aim of the Group's financial operations is to:

- Ensure that the Group can meet its payment
- Manage financial risks,
- Ensure a supply of necessary financing, and
- Optimise the Group's net financial income.

The Group's risk management is handled centrally by the Treasury department, which identifies, evaluates and secures financial risks in close cooperation of the Group's operating units.

(i) Market risk

- Currency risk

The Group performs operations globally and is exposed to interest and currency risks occurring from various currency exposures, primarily attributable to the US dollar (USD) and the renminbi (RMB). Currency risk occurs from payment flows in foreign currencies, so called transaction exposure, and from the translation of foreign subsidiaries' income statements and balance sheets to the Group's reporting currency, which is Swedish kronor (SEK), so called balance exposure.

The Group does not hedge its currency risk exposure.

Sensitivity analysis: If the Swedish krona (SEK) had weakened/strengthened with 10% in relation to the USD, all other factors held constant, the translated profit after tax would, at the 31 December 2018, would have been SEK 1 million lower/higher. Sensivity is mainly attributable to trade receivables and trade payables, mainly as a result of sales and purchases in USD.

If the Swedish krona (SEK) had weakened/strengthened with 5% in relation to the RMB, all other factors held constant, the translated profit after tax would, at the 31 December 2018, would have been SEK 0.02 million lower/higher. This is mainly the result of the translation of a foreign subsidiary.

The Group's risk exposure in foreign currencies:

	31 Dec 2018
	KUSD
Accounts receivable	6 237
Accounts payables	198

- Interest-rate risk
Liabilities to credit institutions comprise bond loans in SEK with variable interest, which expose the Group to interest risk concerning cash flow. The Group does not hedge its interest rate risk regarding future cash flows.

If interest rates on borrowings at the 31 December 2018 had been 1 percentage point higher/lower, all other factors kept constant, the estimated profit after tax had been SEK 0.02 million lower/higher, mainly as an effect of higher/lower interest expenses for borrowing with variable interest rates.

(ii) Credit risk
Credit risk is managed at Group level, with the exception of credit risk regarding outstanding accounts receivable, for which an analysis is performed by each Group company. Credit risk occurs through cash and cash equivalents and bank balances as well as credit exposures to customers. In the cases where no independent credit rating is available, a risk assessment is made of the customer's credit worthiness, in which consideration is given to the customers financial position, as well as previous experiences and other factors.

(iii) Liquidity risk
The Group ensures, through a prudent liquidity management, that there are appropriate cash and cash equivalents to meet the requirements of the day-to-day operations. Cash flow forecasts are prepared by the Group's operating units and are aggregated at Group level. On Group level, rolling forecasts are closely monitored to ensure that the Group has appropriate cash and cash equivalents to meet the demands of the day-to-day operations. Cash flow forecasts are prepared in SEK. The Group also monitor balance sheet based liquidity measures against internal and external requirements and ensures the availability of external financing.

(iv) Refinancing risk
Refinancing risk is defined as the risk for difficulties in refinancing the Company, that financing cannot be achieved, or can only be achieved at a higher cost. The Group secures the supply of external financing.

The table below presents an analysis of the Groups non-derivative financial liabilities, divided by the time remaining on the balance sheet date to the contractual maturity date. The amounts presented in the table are contractual, non-discounted cash flows. Future cash flows in foreign currencies have been calculated based on the exchange rate and interest valid on the balance sheet date.

31 December 2018	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	After 5 years	Total contractual cash flows	Carrying amount
Financial liabilities							
Bond loan	6 563	19 689	26 250	402 500	0	455 002	342 771
Leasing liability	16 502					16 502	16 502
Accounts payable	31 293					31 293	31 293
Other current liabilities	4 724					4 724	4 724
Accrued expenses and deferred income		18 810				18 810	18 810
Total	**59 082**	**38 499**	**26 250**	**402 500**	**0**	**526 331**	**414 100**

3.2 Capital management

The Group's aim regarding the capital structure is to ensure the Group's ability to continue its operations in a way to continue to generate returns to the shareholders and be of use to other stakeholders, as well as maintaining an optimal capital structure to keep costs capital costs low.

The Group assesses its capital based on Net Interest Bearing Debt/Normalised EBITDA. This key performance indicator is calculated in accordance with the terms and conditions for the bond.
For EBITDA and normalisations, calculations are made for the last 12 months (LTM).
The normalisations performed are cost and income of a non-recurring art, for which, according to the terms and conditions of the bond, EBITDA should be adjusted.

Net Interest Bearing Debt/Normalised EBITDA at 31 December was as follows:

Financial indebtedness:	
Bond loan	342,77
Financial leasing	16,50
Total financial indebtedness:	**359,27**
Less:	
Cash and cash equivalents	38,00
Total cash and cash equivalents:	**38,00**
Net Debt	**321,27**
EBITDA(LTM)	86,73
Normalisations (LTM)	3,08
Normalised EBITDA(LTM)	**89,81**
Senior net debt/EBITDA	3,70
Senior net debt/Normalised EBITDA	**3,58**

4. Significant accounting estimates and assessments

The Group makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom correspond to the actual results. The estimates and assumptions that involve a heightened risk of significant adjustments to carrying amounts for assets and liabilities during the next financial year

4.1 Test of impairment of goodwill

The Group performs tests annually to determine whether there is a need for impairment of goodwill, in accordance with the accounting principle presented in Note ***15.1 Test of impairment of goodwill.*** Residual values for cash generating units are established through the calculation of the value in use. The calculation of the residual value is based on estimated future cash flows before tax. The CEO has estimated that the sales growth, EBITDA, the discount rate and the long-term growth rate are the most significant assumptions in the impairment test.
The recognised value of is KSEK 505,092 at the 31 December 2018. The residual value exceeds the carrying value of goodwill with a satisfactory margin.

4.2 Valuation of loss carry-forwards

The Group has recognised deferred tax assets regarding tax loss carry-forwards. The tax loss carry-forwards have no final date for utilisation. A deferred tax asset is only recognised for loss carry-forwards, for which it is probable that they can be utilised against future tax surpluses and against taxable temporary differences. As of the 31 December 2018, the Group recognises deferred tax assets amounting to KSEK 1,948 that can be utilised against future taxable profits. See Note 27 Deferred tax.

4.3 Acquisitions under joint control

On the 11 December 2018, the Parent Company, Swedish Electromagnet Invest AB, the Swedish Electromagnet Holding AB Group. The transaction is a “transaction between companies under joint control.” IFRS 3 Business combinations excepts transactions that include companies under joint control.

As the transaction was, partly, performed with a cash consideration, and as external loans in the shape of an issued bond have been added, management makes the assessment that they can argue for the fact that both the acquisition method in accordance with IFRS 3 (fair value) and historically reported values can be used for transactions between companies under joint control. Management have chosen to apply the acquisition method in accordance with IFRS 3, and will use the chosen principle consequently.

5. Segment information

The CEO is the chief operating decision maker of Swedish Electromagnet Invest AB Group. The CEO evaluates financial position and performance and makes strategic decisions.
The CEO makes decisions on the allocation of resources and evaluate performance based on the Group as a whole. Internal reporting is also based on the Group’s performance as a whole, why the Group in its entirety is deemed to make up one segment.

Tangible assets, other than financial instruments and deferred tax assets (there are no assets linked to post-employment benefits or rights in accordance with insurance agreements) are divided per country according to the following:

	26 Mar 2018 – 31 Dec 2018
Sweden	47 612
Other markets	12 079
Total	**59 691**

6. Net sales

The Group has recognised the following amounts in the statement of comprehensive income attributable to income:

	26 mar 2018 – 31 dec 2018
Revenue from Contracts with Customers	15 449
Total income	**15 449**

6.1 Division of revenue from customer contracts

The Group gas income according to the below specification from sales of goods and services. Income from external customers comprise mainly the production and development of ignition systems, injector stators, sensors and other components. Group income is recognised over time.

Revenue from customer contracts per goods item and service	26 Mar 2018 – 31 Dec 2018
Products	15 449
Total	**15 449**

Net sales per geographical market	26 mar 2018 – 31 dec 2018
Sweden	3 580
Europe excl. Sweden	1 419
North America	6 350
Other markets	4 101
Total	**15 449**

7. Auditors' fees

Audit assignment implies the audit of the Annual Report and the accounts, as well as the administration of the Board of Directors and the President, other tasks that the Company's auditor is responsible for performing and such advisory or other assistance that is caused by observations at such an audit or the performing of such other tasks. Other services mainly comprise fees regarding the IFRS conversion. The above-mentioned fees relate to the following: PwC AB in Sweden, audit assignments 29 KSEK, auditing activities in addition to the audit assignment 0 KSEK (tax advice) and other services 62 KSEK.

8. Costs broken down by type of cost

	26 Mar 2018 – 31 Dec 2018
Changes in inventory of finished goods and work-in-progress	6 803
Raw materials and consumables	69
Employee benefits	3 645
Depreciation of tangible assets	394
Amortisation of intangible assets	286
Other expenses	2 306
Total cost of goods sold, selling expenses and administration expenses	**13 503**

9. Depreciation per function

	26 Mar 2018 – 31 Dec 2018		
	Tangible assets	Intangible assets	Totalt
Cost of goods sold	345	-	345
Selling expenses	20	-	20
Administrative expenses	29	286	315
Research and development expenses	437	-	437
Total depreciation/amortisation	**831**	**286**	**1 117**

10. Employee benefits, etc.

	26 Mar 2018 – 31 Dec 2018
Salaries and other remuneration	2 782
Social security contributions	720
Pension costs – defined contribution plans	387
Total employee benefits	**3 889**

Salaries and other remuneration and social security expenses

		26 Mar 2018 – 31 Dec 2018
	Salaries and other remuneration (of which bonuses)	**Social security expenses (of which pension cost)**
Board members, CEOs and other senior executives*	626(129)	325(123)
Other employees	2 157(-)	782(264)
Group total	**2 782(129)**	**1 106(386)**

*Pertains to all senior executives in the Parent Company and subsidiaries.

Average number of employees geographically broken down by country

		26 Mar 2018 – 31 Dec 2018
	Number on the balance sheet date	**Of which men**
Sweden	119	75
China	104	22
North America	1	1
Group total	**224**	**98**

Gender distribution in the Group (incl. subsidiaries) for Board members and other senior executives

		26 Mar 2018 – 31 Dec 2018
	Number on the balance sheet date	**Of which men**
Board members	5	2
President and other senior executives	14	8
Group total	**19**	**10**

Remuneration and other benefits 2018

	Basic salary/ Board fee	Variable remuneration	Other benefits	Pension costs	Consultant fee	Total
Chairman	8	-	-	-	9	18
Board member	8	-	-	-	-	8
Board member	8	-	-	-	-	8
President	94	50	4	35	-	183
Other senior executives (8 persons)	254	-	36	60	-	350
Total	**373**	**50**	**40**	**95**	**9**	**567**

The Chairman of the Board has, in addition to the Board fee, received KSEK 9 for consultant work regarding, inter alia, purchase strategy and environment scanning within the Group.

Variable remuneration during the year pertains bonuses charged to the financial year 2018. For information of the calculation of bonuses, see below.

Other benefits pertain to fuel and car benefits as well as health insurance.

10.1 Guidelines

The Chairman and members of the Board are paid fees in accordance with the resolution at the AGM, KSEK 200 each. For other Board members who are paid salaries from their employment in one of the Group companies have not received Board fees.

To Group management, the AGM has resolved the following guidelines for remuneration. Remuneration to the President and other senior executives comprise basic salary, other benefits and pensions. By other senior executives are meant the 8 persons who, together with the President, make up SEM AB's management team.

10.2 Bonuses

For the President, bonus is based on two thirds of the Group's operating profit, and on one third on individual goals ser by the Board. For 2018, bonus corresponded to 50% of the basic salary.

10.3 Pensions

The Group has defined benefits plans as well as defined contribution plans in accordance with the central collective agreement, except for the President, who as a pension provision of 35% in accordance with a special agreement. Pension cost pertains to the cost that has impact profit/loss for the year.

The retirement age for the President, as well as for other senior executives, is 67 years.

No pension obligations have been made for Board members who are not employed in any Group company.

10.4 Severance pay

Between the Company and the President a mutual period of notice of 6 months is agreed. Should the Company end the employment, severance pay of 16 monthly salaries is paid. Severance pay is not settled against other income. Should the President be employed by, or in any other way engage in, a competing company, severance pay will not be paid. Should the President leave notice, no severance pay will be paid.

Between the Company and other senior executives, periods of notice are governed by a central collective agreement, or in accordance with special agreements and, in that case, with a period of notice of 3–4 months.

11. Financial income and expenses

	26 Mar 2018 – 31 Dec 2018
Interest income	2
Total financial income	**2**
Interest expenses – bond loan	-1 245
Other financial expenses	-92
Total financial expenses	**-1 337**
Financial items – net	**-1 335**

12. Income tax

	26 Mar 2018 – 31 Dec 2018
Current tax:	
Current tax on profit for the year	220
Total current tax	**220**

		26 Mar 2018 – 31 Dec 2018
	Profit/loss	**Tax, %**
Profit before tax	**-1036**	
Theoretical tax rate	226	-21,8
Tax effects from:		
Changes in tax rates	-6	+0,6
Income tax	**220**	**-21,2**

The theoretical tax rate is calculated based on a weighting of the Group's profit/loss before tax, by country, multiplied by local corporate tax.

In 2918, it has been decided that the corporate tax rate in Sweden is going to be lowered in two. The corporate tax rate will be lowered from 22.0% to 21.4% for financial years commencing on the 1 January 2019 or later. In the next step, the corporate tax rate will be lowered to 20.6% for financial years commencing on the 1 January 2021.

Tax attributable to components of other comprehensive income is KSEK 77.

13. Investments in subsidiaries

The Group had the following subsidiaries at the 31 December 2018:

Name	Country of registration and operations	Operations	Share of ordinary shares owned directly by the Parent Company (%)	Share of common shares owned by the Group (%)
Direct ownership				
Swedish Electromagnet Holding AB	Sweden	Intra-Group services	100%	100%
Indirect ownership				
SEM AB	Sweden	Production/Sales		100%
SEM Technology (Suzhou) Co Ltd	China	Production/Sales		100%
Senfusion AB	Sweden	Patents		100%
SEM Technology Inc	USA	Sales services		100%

In the financial year 2018, SEM Holding AB, 556902-1735, was merged into Swedish Electromagnet Holding AB, 559060-1000.

14. Tangible assets

	Plant and machinery	Equipment, tools, fixtures and fittings	Total
31 December 2018			
Opening accumulated cost	-	-	-
Acquired cost	30 000	74 500	104 500
Translation differences	-40	-23	-63
Closing accumulated acquisition cost	**29 960**	**74 477**	**104 437**
Opening accumulated depreciation	-	-	-
Acquired deprecation	-21 920	-22 040	-43 960
Depreciation for the year	-43	-788	-831
Translation differences	29	16	45
Closing accumulated depreciation	**-21 934**	**-22 812**	**-44 746**
Carrying amount at 31 December 2018	**8 026**	**51 665**	**59 691**

Leased assets

In the item tangible assets is included KSEK 20,141 which the Group has under financial leases at the following amounts:

Acquired cost	33 061
Accumulated depreciation	-12 920
Carrying amount at 31 December 2018	**20 141**

15. Intangible assets

31 December 2018	Goodwill	Capitalised expenditure for development work	Total
Opening accumulated cost	-	-	-
Acquired cost	505 092	5 029	510 121
Closing accumulated acquisition cost	**505 092**	**5 029**	**510 121**
Opening accumulated amortisation	-	-	-
Acquired amortisation	-	-4 188	-4 188
Depreciation for the year	-	-286	-286
Closing accumulated depreciation	**-**	**-4 474**	**-4 474**
Carrying amount at 31 December 2018	**505 092**	**555**	**505 647**

15.1 Test of impairment of goodwill

The President assesses the operating performance based on the Group as a whole. Goodwill is monitored by the President, based on the Group as a whole.

Residual values for cash generating units are established through the calculation of the value in use. The calculation of the value in use is based on estimated future cash flows before tax based on a financial budget approved by Company management and which cover a period of five years. The calculation is based on management experience and historical data. The long-term sustainable growth rate is assessed based on industry forecasts. The President has deemed that sales growth, EBITDA, discount rate and long-term growth rate are the most significant assumptions in the impairment test. A discount rate before tax of 13% has been used in the present value calculation of estimated future cash flows. Discounted cash flows have been extrapolated with a long-term growth rate of 2% after the forecast period of 5 years.

The residual value exceeds the carrying amount of goodwill. This is also valid for assumptions if:
– the discount rate before tax had been 10% higher,
– the estimated growth rate to extrapolate cash flows beyond the 5-year period had been 1% lower,
– the estimated EBITDA decreases with 10%

16. Financial instruments by category

31 Dec 2018	Financial assets meas-ured at amortised cost
Assets in the balance sheet	
Accounts receivable	80 926
Cash and cash equivalents	37 999
Total	**118 925**

31 Dec 2018	Financial liabilities measured at amor-tised cost
Liabilities in the balance sheet	
Bond loan	342 771
Accounts payables	31 293
Leasing liability	16 502
Total	**390 566**

17. Accounts receivable

	31 Dec 2018
Accounts receivable	80 926
Less: provision for expected credit losses	-
Accounts receivable – net	**80 926**

Carrying amounts, by currency, for the Group's accounts receivable are as follows:

	31 Dec 2018
SWEDISH KRONOR (SEK)	24 759
USD	56 167
Total	**80 926**

The maximal exposure to credit risk on the balance sheet date is the carrying amounts according to the above. Fair value of accounts receivable corresponds to their carrying amounts, as the discount effect is not significant.

18. Inventories

During the financial year 26 March 2018 – 31 December 2018, cost of goods of KSEK 6,734 have been recognised in the statement of comprehensive income. It was recognised as cost of goods sold.

Impairment of inventories to the net sales value amounts to KSEK 0. The impairment has been recognised in the statement of comprehensive income as cost of goods sold.

19. Other receivables

	31 Dec 2018
Value added tax	2 339
Deposits	1 239
Advance payments from customers	424
Other items	358
Total	**4 360**

20. Prepaid expenses and accrued income

	31 Dec 2018
Prepaid rental charges	867
Prepaid lease payments	453
Other items	1 352
Total	**2 672**

21. Cash and cash equivalents

	31 Dec 2018
Bank balances	37 999
Total	**37 999**

22. Share capital and other contributed capital

On the 31 December 2018, share capital consists of 2,000,000 ordinary shares with a quota value of SEK 0.25 with a quota. The shares carry a voting power of one vote/share. All shares issued by the Parent Company are fully paid.

Other contributed capital consists of an unconditional share-holders' contribution of KSEK 325,000 KSEK from the share-holders in connection with the acquisition of the Swedish Electromagnet Holding AB Group.

Reserves of KSEK 93 consists of exchange differences occurring from the translation of foreign operations in another currency than the functional currency of the Group (SEK).

Retained earnings including profit/loss for the year of KSEK -1 112 consists of accumulated profits and the revaluation of defined benefit plans.

23. Borrowing

	31 Dec 2018
Non-current	
Bond loan	342 771
Total	**342 771**
Current	
Leasing liability	16 502
Total	**16 502**

Bond loan

The Company has issued a senior secured bond, ISIN SE0011167600 (the "Bond") with a nominal value of SEK 350 million. The bond runs up until the 10 December 2022 with a variable interest of Stibor 3 months plus 7.50%. In accordance with the terms and conditions of the Bond, certain covenants ned to be met when raising new loans, at acquisitions and in connection with dividends. The terms and conditions of the Bond contain several obligations, such as a prohibition against raising new loans, grant loans, pledge assets as collateral, obligations that the working capital facility, during a certain period, should be unutilised, restrictions regarding disposals and transferring of cash and cash equivalents. Under the Bond, assets have been pledged as collateral, which include certain share collaterals and internal loans.

	Carrying amount	Fair value
	31 Dec 2018	**31 Dec 2018**
Bond loan	342 771	342 771
Financial leasing	16 502	16 502
Total	**359 273**	**359 273**

In the light of the bond being issued on the 11 December 2018, the approximations is made that the fair value corresponds to accumulated cost.

The fair value of current borrowings corresponds to its carrying amount, as the discount effect is not significant.

All the financial liabilities above are measured in accordance with Level 3 in the fair value hierarchy.

24. Liabilities regarding financial leasing

The Group leases certain tangible assets through financial leases. The leases pertain to production equipment. The leases expire in 3 months, as all leases are settled in connection with the change of bank. The carrying amount of the leases is KSEK 16,502.

Future total minimum lease payments that are to be paid for financial leases:

	2018
Within 1 year	16
Total minimum lease payments	**16**
Present value of minimum lease payments	**16**

Present value of the financial lease liability is as follows:	
Within 1 year	16 502
Total present value of liabilities regarding financial leases	**16 502**

25. Provisions for pensions and similar obligations

The Group has an unfunded, defined benefit plan in Sweden which is closed for future vesting of pensions. The defined benefit plan is based om final salary, which gives employees covered by the plan benefits in the form of a guaranteed level of the pension pay-ments during their lifetime. The level of the benefit is dependent on the employee's years of service and salary at pension.

The amounts recognised in the statement of financial position and changes in the defined benefit plan for the year, are as follows.

	Present value of the obligation
Acquired balance	**5 380**
Cost of service in the current year	-
Cost of service in previous years	-
Interest expenses/(income)	76
	5 439
Revaluations:	
- (Profit)/loss resulting from changed financial assumptions	223
- (Profit)/loss resulting from experience based adjustments	150
Total recognised in other comprehensive income	**373**
Fees from:	
- The employer	-
- Employees covered by the plan	-
Payments from the plan	-603
31 December 2018	**5 226**

The most significant actuarial assumptions were as follows:	**2018-12-31**
Discount rate	1,7%
Inflation	2,0%

Assumptions regarding life expectancy is based on official statistics and experience from mortality investigations in Sweden and are set in cooperation with actuarial experts.

The sensitivity of the defined benefit plan regarding changes in the weighted significant assumptions are:

	Impact on the defined benefit obligation		
	Changes in assumptions	**Increase in assumptions**	**Decrease in assumptions**
	2018-12-31	**2018-12-31**	**2018-12-31**
Discount rate	0,5%	Decrease of 4.8%	Increase of 5.2 %
Inflation	0,5%	Increase of 5.1%	Decrease of 4.7%
Life expectancy	+/- 1 år	Increase of 4.5%	Decrease of 4.4%

The above sensitivity analyses are based on a change in one assumption, while all other assumptions are held constant. In reality, this is unlikely to happen, and changes in some of the assumptions might be correlated. In the calculation of the sensitivity of the defined benefit obligation of significant actuarial assumptions, the same method is applied (the present value of the defined benefit obligation with the application of the projected unit credit method at the end of the reporting period) which, at the calculation of the pension liability, is recognised in the statement of financial position.

Weighted average term for the pension obligation amounts to 10 years.

26. Other provisions

	Warranty commitments	Total
Opening balance 26 March 2018	-	-
Acquired balance*	950	950
Closing balance 31 December 2018	**950**	**950**

*The Group's provision to repair or replace erroneous products in accordance with normal warranty regulations is recognised as a provision.

27. Deferred tax

Deferred tax liabilities pertain mainly to equipment and inventories and amount to KSEK 1,948 KSEK at the 31 December 2018 and are expected to be utilised in the next 12 months. Net profit change amounts to KSEK 911.

Deferred tax assets mainly pertain to other temporary differences and intangible assets related to acquisitions and amount to KSEK 1,985 at the 31 December 2018 and are expected to be after 12 months. Net profit change amounts to KSEK 1,760.

Gross changes in deferred tax assets and liabilities during the year, without consideration taken to offsettings made within the same fiscal jurisdiction, is presented below:

Deferred tax assets	Tangible assets	Inventories	Loss carry-forward	Pension obligations	Other	Total
Through acquisitions	382	428	-	-	227	1 037
Recognised in the statement of comprehensive income	322	-	399	-	113	834
Recognised in other comprehensive income	-	-	-	77	-	77
Exchange differences	-	-	-	-	-	-
31 December 2018	**704**	**428**	**399**	77	**340**	**1 948**

Deferred tax liabilities	Group surplus value of intangible assets	Deferred tax on untaxed reserves	Total
Through acquisitions	225	-	225
Recognised in the statement of comprehensive income	-	1 760	1 760
Recognised in other comprehensive income	-	-	-
Exchange differences	-	-	-
31 December 2018	**225**	**1 760**	**1 985**

Deferred tax assets are recognised for fiscal loss-carry forwards or other deductions to the extent it is probable that they can be credited to future taxable profits. The Group recognised deferred tax assets, without a time limit, amounting to KSEK 399 regarding losses amounting to KSEK -1,863 KSEK which can be utilised against future taxable profits.

28. Other current liabilities

	2018-12-31
Financial lease liability	16 502
Personnel tax	1 807
Salary tax and social security contributions	2 825
Other items	94
Total	**21 228**

29. Accrued expenses and deferred income

	2018-12-31
Accrued holiday pay	6 623
Accrued social security contributions	1 960
Other items	10 227
Total	**18 810**

30. Pledged collateral

	2018-12-31
Amounts recognised for assets pledged as collateral	
Regarding provisions for pensions and similar obligations	
Chattel mortgages	8 000
Regarding liabilities to credit institutions	
Chattel mortgages	50 000
Regarding bond loan	
Shares in subsidiaries	420 893
Financial leasing	
Plant and machinery	20 141

31. Operating leases

31.1 Obligations regarding operating leases

Leasing expenses amounting to KSEK 288 regarding leasing of properties, cars and office equipment are included in the statement of comprehensive income. Lease terms vary between 3 and 5 years. Future combined minimum leasing fees for non-cancellable leases are according to the following:

	2018
Within 1 year	6 128
Between 1 and 5 years	5 234
After 5 years	-
Total	**11 362**

32. Related-party transactions

Swedish Electromagnet Invest AB (publ) is majority owned by Procuritas Capital Investors V, L.P., headquartered in Guernsey. Swedish Electromagnet Invest AB (publ) is the largest Group in which consolidated accounts are prepared. Related parties are all subsidiaries within the Groups as well as senior executives and their associates. Sales are performed between the Group's subsidiaries. Information of the Board of Directors and senior executives as well as remuneration for these are found in Note 10 Employee benefits. For disclosures of the Parent Company's transactions with related parties, please refer to Note 46 Related under the Parent Company.

33. Changes in Liabilities attributable to financing activities

	Acquired balance	Cash inflow	Cash out-flow	Items not affecting cash flow	Capitalized interest	31 Dec 2018
Bond loan	-	350 000	-8 853	-	1 624	342 771
Bank loan	152 000	-	-152 000	-	-	-
Shareholder's loan	96 064	-	-96 064	-	-	-
Liability regarding financial lease	14 147	-	-	2 355	-	16 502
Total	**262 211**	**350 000**	**-256 917**	**2 355**	**1 624**	**359 273**

34. Business combinations

34.1 Business combination during the financial year 26 March 2018 – 31 December 2018

On the 11 December, 100 % of the shares in Swedish Electromagnet Holding AB including subsidiaries of Swedish Electromagnet Invest AB (publ). The Group performs operations through its subsidiaries SEM AB, headquartered in Åmål, Sweden, SEM Technology (Suzhou) Co., Ltd in China, SEM Technology Inc. in the US and Senfusion AB in Sweden, which is dormant. The acquisition of the companies was the start of the Group. An acquisition analysis is under preparation for the entire operations.

Disclosures on consideration, acquired net assets and goodwill are presented below:

Presented in the table below is consideration paid for Swedish Electromagnet Holding AB Group and fair value of assets acquired and liabilities assumed recognised on the acquisition date:

Consideration on the 11 December 2018
Cash and cash equivalents, cash SEK 95,842,000
Unconditional shareholders' contributions SEK 325,000,000
Total consideration SEK 420,824,000 (consideration)

(i) Carrying amounts of identifiable acquired assets and assumed liabilities

Cash and cash equivalents	40 634
Intangible assets (including customer relations, brands and order backlog)	840
Tangible assets	56 559
Inventories	53 439
Financial assets	77
Tax asset	3 198
Accounts receivable and other current receivables	83 785
Non-current liabilities	-253 387
Tax liability	-422
Accounts payable and other current liabilities	-68 922
Total identifiable net assets	***-84 199***
Consideration, including acquisition costs	***-420 893***
Goodwill	***505 092***

The acquisition analysis is preliminary, as the final measurement of intangible assets that have been identified separately from goodwill is yet not finalised.

(ii) Goodwill

The goodwill of KSEK 505,092 that occur through the acquisition is mainly attributable to the value of future business activities. No part of the recognised goodwill is expected to be deductible in the taxation of income.

(iii) Income and profit/loss in acquired operations

The income from the acquisition included in the consolidated statement of other comprehensive income since the 11 December 2018 amounts to KSEK 15,449 and operation profit/loss of KSEK 299. If the acquisition had been finalised on the 26 March 2018, consolidated pro forma for income and operating profit/loss would amount to KSEK 293,092 and KSEK 31,727, respectively. Consolidated pro forma figures have been presented without consideration taken to acquisition related adjustments.

(iv) Acquisition related costs

Acquisition related costs of KSEK 69 are included in the consolidated statement of comprehensive income and in the operating activities in the cash flow statement.

(v) Consideration- cash flow

	31 Dec 2018
Cash flow to acquire the Swedish Electromagnet Holding AB Group, after deduction for acquired cash and cash equivalents	
Cash consideration	95 824
Acquisition costs	69
Less: Acquired cash and cash equivalents	-40 634
Net outflow of cash and cash equivalents – investing activities	**55 259**

35. Events after the end of the reporting period

After the balance sheet date, SEM has signed an agreement with a Tier 1 supplier, with the aim of deliver ignition systems and injector steering for a NG powered engine.

Parent Company financial statements

PARENT COMPANY INCOME STATEMENT

Amounts in KSEK	Note	Financial year 26 Mar 2018 – 31 Dec 2018
Net sales		-
Gross profit/loss		
Administrative expenses		-240
Other operating income		-
Other operating expenses		-
Operating profit		**-240**
Profit/loss from financial items		
Other interest income and similar prof-it/loss items		-
Interest expenses and similar profit/loss items	38	-1 624
Total profit/loss from financial items		**-1 624**
Profit/loss after financial items		**-1 864**
Profit before tax		**-1 864**
Tax on profit for the year	39	**399**
Profit for the year		**-1 465**

In the Parent Company, there are no items recognised as other comprehensive income, why the total comprehensive income for the year corresponds to profit/loss for the year.

The notes on pages 36 to 41 constitute an integrated part of the Parent Company accounts.

PARENT COMPANY BALANCE SHEET

Amounts in KSEK	Note	31 Dec 2018
Assets		
Fixed assets		
Financial assets		
Participations in Group companies	40	420 893
Deferred tax assets	44	399
Total financial assets		**421 292**
Total fixed assets		**421 292**
Current assets		
Current receivables		
Receivables from Group companies	46	246 476
Current tax assets		-
Other current receivables	41	325
Total current receivables		**246 801**
Cash and bank balances	42	509
Total current assets		247 310
Total assets		**668 602**

The notes on pages 36 to 41 constitute an integrated part of the Parent Company accounts.

PARENT COMPANY BALANCE SHEET

Amounts in KSEK	Note	31 Dec 2018
Equity and liabilities		
Equity		
Restricted equity		
Share capital		500
Non-restricted equity		
Share premium reserve		-
Retained earnings	49	325 000
Profit for the year	49	-1 465
Total equity		**324 035**
Non-current liabilities		
Bond loan	43	342 771
Total non-current liabilities		**342 771**
Current liabilities		
Accounts payables		1 719
Liabilities to Group companies	43	77
Current tax liabilities		-
Other liabilities		-
Accrued expenses and deferred income		-
Total current liabilities		**1 796**
Total liabilities		**344 567**
Total equity and liabilities		**668 602**

The notes on pages 36 to 41 constitute an integrated part of the Parent Company accounts.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Amounts in KSEK	Note	Restricted equity Share capital	Non-restricted equity Other contributed capital	Retained earnings	Profit for the year	Total equity
Opening balance at 26 March 2018						-
Profit/loss for the year and comprehensive income					-1 465	-1 465
Total comprehensive income					-1 465	-1 465
Transactions with shareholders in their role as owners						
New share issue		500				500
Shareholders' contributions			325 000			325 000
Closing balance at 31 December 2018		500	325 000		-1 465	324 035

The notes on pages 36 to 41 constitute an integrated part of the Parent Company accounts.

PARENT COMPANY CASH FLOW STATEMENT

Amounts in KSEK	Note	Financial year 26 mar 2018 – 31 dec 2018
Cash flow from operating activities		
Operating profit		-240
Adjustments for items not included in cash flow		
Interest received		
Interest paid	38	-1 624
Income tax paid		
Cash flow from operating activities before changes in working capital		**-1 864**
Changes in current operating receivables	41	-325
Changes in current operating liabilities		1 719
Cash flow before changes in working capital		**1 394**
Cash flow from operating activities		**-470**
Cash flow from investing activities		
Acquisition of subsidiaries		-95 893
Cash flow from investing activities		**-95 893**
Cash flow from financing activities		
Loans to subsidiaries	46	-246 399
Share issue		500
Issuance of bond loan	43	342 771
Cash flow from financing activities		**96 872**
Decrease/increase of cash and cash equivalents		
Cash and cash equivalents at beginning of the year		-
Net cash flow during the financial year		509
Closing cash and cash equivalents	**42**	**509**

36. Parent Company accounting policies

The most significant accounting policies that were applied in the preparation of these annual accounts are presented below. These policies have been applied consequently for all financial years presented, unless otherwise stated.

The Annual Report for the Parent Company was prepared in accordance with RFR 2 Accounting for Legal Entities and the Swedish Annual Accounts Act. If the Parent Company applies other accounting policies than the Group's account policies, as described in Note 36 Summary of significant accounting policies in the consolidated financial statements, these are presented below.

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

The preparation of annual accounts in accordance with IFRS requires that qualified estimates and assessments be used for accounting purposes. Furthermore, company management exercises its judgement in the application of the Group's accounting policies. Areas that comprise a high level of assessments, that are complex, or areas where estimates and assessments are significant for the consolidated financial statements, are presented in Note 2.2 of the consolidated accounts.

The Parent Company is, through its operations, exposed to a number of different financial risks: market risk (currency risk and interest rate risk), credit risk and liquidity risk. The overall risk management policy of the Parent Company is focused on the unpredictability of the financial markets and strive to minimise potential negative effects on the Group's performance. For more information on financial risks, please refer to the consolidated financial accounts, Note 2.2.

The Parent Company applies different accounting policies than the Group in the cases presented below:

36.1 Formats

The income statement and balance sheet are in accordance with the format of the Annual Accounts Act. Statement of changes in equity is in accordance with the Group's format, but should contain the columns stipulated in the Annual Accounts Act. Further, this entails differences in terms, mainly regarding financial income and costs and equity.

36.2 Participations in subsidiaries

Participations in subsidiaries are recognised at cost, adjusted for any impairment. In cost are included acquisition related costs and any additional purchase price.

Whenever there is an indication that participations in subsidiaries has decreased in value, a calculation of the recoverable amount is performed. If this is lower than the carrying value, an impairment is made. Impairment is recognized in the item "Performance from participation in Group companies".

36.3 Shareholders' contributions and Group contributions

Group contributions from Parent Company to subsidiaries and Group contributions received by the Parent Company from a subsidiary are recognised as appropriations. The shareholders' contribution paid is recognised in the Parent Company as an increase of carrying value of the participation, and in the receiving company as an increase of equity.

36.4 Financial instruments

IFRS 9 is not applied in the Parent Company. Instead, the Parent Company applies the points in RFR 2 (IFRS 9 Financial instruments, p. 3-10).

Financial instruments are valued based on cost. In subsequent periods, financial assets acquired as short-term investments will be recognized in accordance in accordance with the principle of the lowest value, to the lowest of cost and market value. Derivate instruments with negative fair values are reported at this value.

At the calculation of the net sales value of receivables reported as current assets, the principles for impairment tests and provisions for bad debts in IFRS 9 should be applied. For an asset recognized at amortized cost at consolidated level, this implies that the provision for bad debts recognized in the consolidated financial statements should also be recognized in the Parent Company.

36.5 Leases

IFRS 16 will not be applied in the Parent Company.

37. Employee benefits, etc.

There have been no employees in Swedish Electromagnet Invest AB (publ) during the financial year.

Members of the Board and senior executives		26 Mar 2018 – 31 Dec 2018
	Number on the balance sheet date	**Of which men**
Board members	5	3
President and other senior executives	1	1
	6	**4**

During the year, Board members and the President have not received salaries or other remuneration.

38. Interest income and similar profit/loss items and interest expenses and similar items

	26 Mar 2018 – 31 Dec 2018
Interest expenses, external	-1 531
Other financial expenses	-93
Total interest expenses and similar profit/loss items	**-1 624**
Total financial items – net	**-1 624**

39. Tax on profit for the year

Recognised tax in the income statement	26 Mar 2018 – 31 Dec 2018
Current tax:	
Deferred tax	399
Tax on profit for the year	**399**

		26 Mar 2018 – 31 Dec 2018
	Profit/loss	**Tax, %**
Profit before tax	**-1 864**	
Theoretical tax rate	410	-22,0
Tax effects from:		
Changes in tax rates	-11	+0,6
Income tax	**399**	**-21,4**

40. Participations in subsidiaries

Name	Corporate Identity Number	Domicile and place of business	Number of shares	Carrying amount
Directly owned				
Swedish Electromagnet Holding AB	5559060-1000	Åmål, Sweden	2 000 000	420 893
Total directly owned			**2 000 000**	**420 893**
Indirectly owned				
SEM AB	556023-5748	Åmål, Sweden	24 090	218 223
SEM Technology Suzhou Co. Ltd	320500400019506	Suzhou, China	1	21 924
SEM Technology Inc.	830525273	Indianapolis, US	1 000	92
Senfusion AB	556823-8454	Åmål, Sweden	1 334	-
Total indirectly owned			***2 335***	**240 239**

All companies are a 100% owned. Share of capital corresponds to share of votes

	31 Dec 2018
Opening balance at 26 March 2018	-
Acquisitions for the year	420 893
Closing balance	**420 893**

41. Other current receivables

	31 Dec 2018
Value added tax	325
Total	**325**

42. Cash and bank balances

Correspond to cash and cash equivalents in the cash-flow statement

	31 Dec 2018
Bank balances	509
Total	**509**

43. Borrowing

	31 Dec 2018
Non-current	
Bond loan	342 771
Total	**342 771**
Current	
Liabilities to Group companies	77
Total	**77**
Total borrowing	**342 848**

Bond loan

The Company has issued a senior secured bond, ISIN SE0011167600 (the “Bond”) with a nominal value of SEK 350 million. The bond runs up until the 10 December 2022 with a variable interest of Stibor 3 months plus 7.50%. In accordance with the terms and conditions of the Bond, certain covenants ned to be met when raising new loans, at acquisitions and in connection with dividends. The terms and conditions of the Bond contain several obligations, such as a prohibition against raising new loans, grant loans, pledge assets as collateral, obligations that the working capital facility, during a certain period, should be unutilised, restrictions regarding disposals and transferring of cash and cash equivalents. Under the Bond, assets have been pledged as collateral, which include certain share collaterals and internal loans.

The carrying amount of the pledged financial and non-financial assets are presented in Note 45 Pledged assets.
The Parent Company has met all the terms and conditions of the bond during the financial year 26 March 2018 – 31 December 2018.
All non-current liabilities mature within five years.

	Carrying amount	Fair value
	31 Dec 2018	**31 Dec 2018**
Bond loan	342 771	342 771
Total	**342 771**	**342 771**

In the light of the bond being issued on the 11 December 2018, the approximations is made that the fair value corresponds to accumulated cost.

The fair value of current borrowings corresponds to its carrying amount, as the discount effect is not significant.

44. Deferred tax

The gross change regarding deferred taxes are in accordance with the following:

Deferred tax assets	Unutilised loss carry-forwards
At 26 March 2018	-
Recognised in profit or loss	399
31 December 2018	**399**

Deferred tax assets are recognised for fiscal loss-carry forwards or other deductions to the extent it is probable that they can be credited to future taxable profits. The Parent Company recognised deferred tax assets, without a time limit, amounting to KSEK 399 regarding losses amounting to KSEK -1,864 KSEK which can be utilised against future taxable profits.

45. Pledged collateral

	31 Dec 2018
For own liabilities	
Shares in subsidiaries	420 893
Intra-Group loan	246 476
Total	**667 369**

46. Related-party transactions

Swedish Electromagnet Invest AB (publ) (the "Company"), is majority owned by Procuritas Capital Investors V, L.P. headquartered in Guernsey. Swedish Electromagnet Invest AB (publ) is the largest Group in which consolidated accounts are prepared. Related parties are all subsidiaries within the Groups as well as senior executives and their associates.

The following related-party transactions have been performed:	2018
(a) Sales of services	
- Administration services from the Parent Company	-
Total	-

(a) Purchase of services	
- Purchase of services from companies controlled by senior executives	9
Total	**9**

Services are purchased and sold to related parties at normal commercial terms and adhere to the following transfer pricing policy. Services are purchased at cost price and are regulated through the valid transfer pricing policy.

Receivables and liabilities at year-end as a result of sales and purchases of goods and services

	31 Dec 2018
Receivables from related parties	-
Liabilities to related parties	
Current liability	77
At year-end	**77**

Loans to related parties

	2018-12-31
Loan to Swedish Electromagnet Holding AB	
26 March 2018	-
Loans raised during the year	246 476
Amounts repaid	-
Interest expenses	-
Interest paid	-
At year-end	**246 476**

The Group had no provisions for bad debts attributable to related parties. Neither has the Group recognised any expenses for bad debts from related parties during the period. No assets have been pledged for the receivables.

Liabilities to related parties are mainly attributable to the settlement of loans in the subsidiaries in connection with new financing.

47. Changes in liabilities related to financing activities

	26 March 2018	Cash inflow	Cash outflow	Capitalized interest	2018-12-31
Bond loan	-	350 000	-8 853	1 624	342 771
Total	**-**	**350 000**	**-8 853**	**1 624**	**342 771**

48. Events after the end of the reporting period

After the balance sheet date, SEM has signed an agreement with a Tier 1 supplier, with the purpose of delivering an ignition system and injector steering for a NG powered engine.

49. Proposed appropriation of profits

The following profits are at the disposal of the Annual General Meeting:	
Retained earnings	325 000
Profit for the year	-1 465
KSEK	323 535

The Board of Directors proposes that the available profits be carried forward as follows:

KSEK	323 535

The consolidated income statement and balance sheet will be presented to the Annual General Meeting for adoption on 25 06 2019.

The Board of Directors and the President certify that the consolidated financial statements have been prepared in accordance with the international accounting standards IFRS, as endorsed by the EU and present a fair view of the Group's position and profit/loss. The annual accounts have been prepared in accordance with Swedish GAAP and present a fair view of the Parent Company's position and profit/loss.

The Administration Report of the Group and the Parent Company present a fair view of the development of the operations, position and performance of the Group and the Parent Company, and describes significant risks and uncertainties to which the Parent Company and the companies in the Group are exposed.

Åmål 2019-04-24

Tom Gustavsson
President

Halvar Jonzon
Chairman of the Board

Yana Augustsson
Board member

Christina Hallin
Board member

Tomas Therén
Board member

Hasse Johansson
Board member

Our auditor's report was submitted on 30 April 2019

Martin Johansson
Authorised Public Accountant