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Foreword

Dear Readers,

The new financial reporting law (referred to as “the law”) came into force on 1 January 2013. Following a transitional phase, it must be applied for the 2015 financial year at the latest for stand-alone financial statements and for the 2016 financial year for consolidated financial statements. The new regulations can be found in article 957 onwards of the Swiss Code of Obligations (OR). They are applicable for all corporate entities irrespective of their legal structure. With its brochure on **“The new financial reporting law – Overview of the key aspects and challenges”**, Deloitte has already explained the most important aspects of the new financial reporting law for those implementing it.

This brochure **“The new financial reporting law – Example of annual report”** contains a sample annual report consisting of the financial statements for Sample AG under the new financial reporting law, and a management report. The sample annual report applies the regulations set out by the new financial reporting law and helps users with the preparation of accounts. The objective of this sample annual report is to illustrate the rules of presentation and disclosure.

The financial statements on which the annual report is based have been prepared for a fictitious company, Sample AG, which is intended to bear no resemblance whatsoever to any real company in Switzerland or in other countries. Any point in common are purely coincidental. In our example, Sample AG represents a company based in Switzerland, which produces and sells stationery. For illustrative purposes, it has been assumed that Sample AG represents a larger corporate entity in accordance with Art. 961 OR and must therefore produce additional information in the notes to the accounts in accordance with Art. 961a OR. In addition, the financial statements are complemented by a cash flow statement in accordance with Art. 961b OR, as well as by a management report in accordance with Art. 961c OR. Sample AG does not, however, represent a publicly-traded company, i.e., its shares are not listed on a stock exchange. Aspects of consolidated accounts are not dealt with in this sample annual report. The law does not specify any definitive order for the components of the annual report. The sequence presented in this brochure is simply one possibility.

Furthermore, we have also presented the previous year’s figures (2014 financial year) according to the new financial reporting law to make it easier to draw a comparison. The provisions for transition allow for the following options when the new rules are applied for the first time and the chosen option must be clarified in the notes:

1. No information on previous year’s figures;
2. Declaration of previous year’s figures without these values being adapted to the new financial reporting law (no consistency in presentation and structure);
3. Declaration of the previous year’s figures adapted to the new financial reporting law (presentation and structure of the figures are consistent, allowing comparison across the financial years). However, this is not a matter of the “restatement” (retrospective application) of the new regulations. Instead, any differences in valuation resulting from the new financial reporting law are recorded as having an effect on net income in the year they are first applied.

The sample financial statements show a zero balance for some items in the balance sheet, profit and loss account, cash flow statements and notes. This means that these matters do not apply to Sample AG, but could in practice be relevant in specific individual cases.

The profit and loss account has been prepared using the nature of expense method, since this is the most frequently used method. The law does, on the other hand, allow for the preparation of the profit and loss account using the activity-based costing method.

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Sample AG Annual Report

31 December 2015

1. Management report

Sample AG business performance and economic situation

The ongoing challenging economic situation in Switzerland and the credit crisis in EU countries, as well as the continuing strength of the Swiss Franc, have led to a further intensification of the price war and have had a considerable impact on the business performance of Sample AG throughout the 2015 financial year. Nevertheless, the business performance of Sample AG proved that the measures taken in recent years have been necessary and relevant for our continued existence in the domestic and international stationery market. Thus, Sample AG was able to increase its **net proceeds from sales of goods and services** from CHF 121,732 K to CHF 123,901 K (+ 1.78%). The company's **annual profit** shows an even more positive development. These have increased from CHF 7,210 K to CHF 8,937 K (+ 23.95%). A favourable decision on a litigation resulted in a one-off payment of over CHF 2,800 K. Without this one-off event, adjusted annual profit after tax would have been lower than the previous year at CHF 6,669 K. This is mainly due to the rising prices of raw materials and work in progress.

Overall, Sample AG finds itself in a very comfortable situation and this is reflected in our dividend policy. We are proposing a **dividend payment** of CHF 750 per bearer share to the Annual General Meeting. This corresponds to a total pay-out of CHF 1,500 K, which is CHF 300 K more than the previous year's dividend payments (+25%). This allows us to make a clear statement:

- We are thanking our shareholders for their confidence,
- offering proof of a very healthy financial situation, and
- showing confidence that Sample AG is in a very good position to deal with future challenges.

It is clear that the **financing position** of Sample AG is very healthy. The company's shareholders' equity amounts to CHF 23,571 K (previous year: CHF 15,834 K). This corresponds to a debt/equity ratio of 31.94% (previous year: 25%).

Cash flow from operating activities is positive (cash inflow) and at CHF 13,082 K, which shows a 13% increase compared with the previous year (CHF 11,577 K). Significant factors include the increase in annual profits (+ CHF 1,727 K), the increase in trade creditors (+ CHF 1,856 K), a significantly smaller increase in trade receivables compared with the previous year, an increase in provisions (previous year: decrease in provisions) and significantly lower depreciation expenses (CHF 2,209 K) compared with the previous year (CHF 6,590 K).

Cash flow from investment activities shows a net outflow of CHF 567 K (previous year: net outflow of CHF 6,840 K). This is due to significantly lower investments in tangible fixed assets. This year's investment volumes are at an average level, whilst investments made during the 2014 financial year were in anticipation of the financial years to come and can therefore be perceived as extraordinary costs.

Cash flow from financing activities shows a constant cash outflow of CHF 1,710 K, compared with CHF 1,700 K for the previous year. The most significant effects here are the dividend payment of CHF 1,200 K (previous year: CHF 2,000 K) and the repayment of short-term interest-bearing liabilities amounting to CHF 510 K (previous year: CHF 0 K). Furthermore, no own shares were bought or sold during the current financial year (previous year: sale of own shares at a nominal value of CHF 300 K).

Overall, an increase in cash and cash equivalents from CHF 6,675 K to CHF 17,848 K (+ 167.39%) has been recorded.

Employees of Sample AG

The employees of Sample AG make a crucial contribution to the success of the company thanks to their sense of dedication and commitment to corporate objectives. They are essential for the success and future competitiveness of Sample AG. The financial recognition of individual performance with a modern remuneration structure is a key factor. Furthermore, the Board of Directors is also personally committed to giving proper recognition to staff achievements. To this end, the Sample AG Board of Directors would like to take this opportunity to thank our employees for another very successful year.

Sample AG encourages its employees to reach their full potential by giving them a great deal of responsibilities and offering extensive opportunities for further training. We ensure that our employees develop strong loyalty to the company and our staff turnover rate has for some years stayed at a level that is well below the industry average. This enables us to retain existing talent within the company and to develop this expertise still further.

At the end of 2015, Sample AG employed 341 people in Switzerland. Compared with the previous year (352 employees), this represents a decrease of around 3% (-11 employees). As an annual average for 2015, there were 312 full-time positions (previous year: 316 full-time positions) at Sample AG. A full-time position applies to the employment contracts of employees and the relevant work volume is calculated on this basis. For example, an employee with a work volume of 25% is calculated as 0.25 full-time positions. This calculation also includes trainees and temporary workers according to their work volume. The calculation of the annual average is carried out on the basis of the arithmetic mean of numbers at the beginning and end of the reporting year, since Sample AG does not have any significant fluctuation to record. If Sample AG were to register more significant staff fluctuations, the annual average would be calculated on a monthly basis.

The reduction in the number of employees and full-time positions relates to a planned reduction at the Horn site and does not reflect the overall growth of the company. The Board of Directors anticipates an increase in the number of full-time positions over the next few years, in particular at the Zurich and Thalwil sites.

Carrying out a risk assessment

Risks are a key part of any business activity. A risk management system, enabling the identification, analysis, management and monitoring of significant risks in the business environment, is particularly important. A risk management system can also identify certain opportunities for the company.

In order to identify risks and opportunities as early as possible, Sample AG regularly reviews factors that may affect the entire business environment, both internally and externally. This review is based on the financial data determined for the financial statements according to OR and the key risk indicators in accordance with regulatory requirements.

Risk assessment by the Board of Directors

The Sample AG Board of Directors has set up its own Risk Committee, consisting of the Chairman and two other members.

The areas in which the Risk Committee is involved include monitoring the risk management system and handling all risks, in particular market, credit and operational risks and risks to the company's reputation. To achieve this, significant and current risk topics are discussed and assessed. On this basis, strategic and organisational decisions are then made, with the aim of minimising/optimising the risk positions of Sample AG.

A key component of this is the design and further development of the internal audit system, which is used to address identified risks with the relevant, appropriate control measures and minimise the likelihood of them occurring. The appropriate use of risk management and control processes, which guarantee the identification, assessment, management, monitoring and communication of single risks and risk areas, ensures that all risks can be taken into account accordingly. One of the main objectives is to gain an understanding of the risks early on and reduce any potential risk of loss-making.

Description of the internal audit system for financial reporting

The internal audit system for Sample AG covers all the principles, processes and measures, which are aimed at ensuring the effectiveness, efficiency and accuracy of our financial reporting, as well as compliance with the relevant legal requirements. It is based on the international "COSO" model and covers the control environment, risk assessment process, financial reporting IT systems, control activities and monitoring by the internal audit system.

Since the balance sheet closing date, there have been no significant events changes making it necessary to adjust the internal audit system.

Overall responsibility for the internal audit system required for mitigating risks lies with the Sample AG Risk Committee, which draws up the scope and orientation of the systems in place to deal with the specific requirements of Sample AG. Monitoring mechanisms, both built in to processes and independent of processes, form the key elements of the internal monitoring system. In addition to manual process controls, automated IT process controls are also a key part of the measures integrated into processes.

During the course of a financial year, the Risk Committee implements an audit of the Sample AG internal monitoring system independently of processes.

Orders and assignments

The current stationery market in Switzerland is experiencing positive growth. This is reflected in the increase in revenue and in orders and assignments. Demand for Sample AG stationery has increased considerably compared with the previous year; this is evident in the 4% increase in number of units ordered for the current financial year. At the time the financial statements were prepared, orders had already been taken for the financial years 2016 to 2018, with an annual volume of around 15% of current turnover in 2015.

The orders taken by Sample AG for the financial year ended on 31 December 2015 can be outlined as follows:

- Domestic orders: Approx. 41,000,000 units of various stationery models;
- International orders: Approx. 3,500,000 units of various stationery models.

The Sample AG business has not undergone any significant changes in recent years. However, the Board of Directors considers the measures taken in recent years to be correct and economically necessary, in order to achieve increasing orders and increasing numbers of units ordered in years to come. In particular, investments in tangible fixed assets made during the 2014 financial year would give Sample AG a competitive advantage for years to come. We now have state-of-the-art facilities that enable us to expand our production and storage capacities by around 25%. The Sample AG Board of Directors therefore sees the company as being on track to increase our market share in Switzerland still further and to become one of the leading stationery producers in surrounding countries as well in years to come.

Research and development activities

Research and Development (R&D) activities at Sample AG constitute a key competitive factor for the company. Targeted expenditure on research, market launch of new models and techniques and improvements to existing models allow the market share of Sample AG to be constantly expanded.

Each year, Sample AG invests between 5% and 10% of its gross revenue from sales of goods and services in Research and Development. The main focus areas of these activities are on basic and applied research and the development of new models. Research activities therefore include independent and planned investigations into new solutions for scientific and in particular technical developments. Development covers the application of research results to design new and revised, significantly improved materials, equipment, products, processes, systems or services.

During the 2015 financial year, expenditure on R&D amounted to CHF 8,773 K (previous year: CHF 8,591 K). The largest cost items were the installations at the Horn site (around 40%) and material costs (around 24%). Our research department is supported by eight full-time positions on an annual average (previous year: eight full-time positions). The development department employs 13 full-time staff on an annual average (previous year: 12 full-time positions).

Our R&D work in recent years has resulted in the market launch of the following models during the 2015 financial year:

Model	Description/function
Gerado	A writing implement with a particularly fine nib for graphical applications.
Malo	A writing implement that comes in various colours and is aimed at children (aged 3-9).
Regenbogen	A writing implement that writes in various colours simultaneously and is aimed at children (aged 3-9).
Naturo	A writing implement that can be used to write on almost all material surfaces.

By the time the annual reports were published, the launch of these new models had already led to a significant increase in our market share in Switzerland and in neighbouring countries. We are looking forward to further growth in sales for these models.

Extraordinary events

Sample AG makes a distinction between events, about which we want to keep our readers informed, and extraordinary events occurred during the financial year, which have had a significant impact on business performance.

Events occurring after the balance sheet closing date

Following intense discussions and analysis, the Sample AG Board of Directors decided to acquire the company Handels AG for a purchase price of CHF 1,500 K as at 20 February 2016. This decision was taken in February 2016, which means that the transaction did not have any effect on the financial year just ended. In future, the acquired company's name will change from Handels AG to Sample-Handels AG and will be wholly owned by Sample AG.

Beyond this, there were no significant operational or structural changes for Sample AG up to the date of the annual report (15 March 2016), nor any business events that might significantly alter our financial position and/or financial performance in comparison with 31 December 2015.

Extraordinary events occurred during the financial year

During the 2015 financial year, a dispute with Example AG, which has its registered office in Bern, was settled at their expense. The dispute was about the delivery of defective goods. Sample AG sought compensation for damages instead of replacement and was awarded this right by the court in Zurich. Damages in the form of a one-off payment of CHF 2,800 K were awarded, which Sample AG collected during the 2015 financial year and recorded in the profit and loss account under "Extraordinary, non-recurring or prior-period costs and income".

Furthermore, during the 2015 financial year, a decision was made to layoff some of the employees involved in the manufacture of the "Specialo" model, which is produced at the Horn site. The "Specialo" model is a special model in the Sample AG product portfolio, which can be used for writing on standard light bulbs. The fact that standard light bulbs are largely being replaced by energy-saving bulbs has led to a significant decrease in the demand for "Specialo" pens. Unfortunately, there is no potential for the alternative use of this model and the model will therefore be removed from the Sample AG product portfolio during the 2017 financial year. The special production techniques used to produce this model mean that the employees concerned cannot be taken on in other production lines. For this reason, restructuring provisions amounting to CHF 400 K have been recorded, also under "Extraordinary, non-recurring or prior-period costs and income".

Outlook (future prospects)

Global economic outlook

The future growth of the world economy and the overall economic outlook for Switzerland depends to a large extent on how the debt crisis develops in the Eurozone and on the development of leading currencies (EURO, USD). If the situation improves over the next few years, it can be assumed that the global economy will experience strong growth.

Central banks worldwide have further relaxed their monetary policies over recent years and followed a policy to stimulate demand. We therefore forecast economic growth over the years to come, particularly in emerging markets.

Expected business development of Sample AG

The first few months of 2016 look very promising. Across all markets and models, the company has recorded an increase in sales compared to the same periods in the previous year. We anticipate that this trend will continue. Our expectations are based both on the measures taken over previous years (acquisition of new production facilities, introduction of new models) and on the expected positive development of the overall economic and capital market environment in Switzerland and in the EU. It is difficult to make a completely reliable forecast for the development of revenue in 2016 and in years to come.

Nevertheless, our 15 strong brands and convincing products, our highly motivated employees, the investments we have made in the growth of the company and our extremely healthy capitalisation and financial position lead us to believe that Sample AG is very well equipped for the future and on a course for long-term growth.

2. Balance sheet

Assets in CHF 1,000 Art. 959a para. 1 OR	Notes	31/12/2015	31/12/2014
Cash and cash equivalents and current assets with a stock exchange price	(5.3.1)	17,848	6,675
Trade receivables	(5.3.2)	19,843	18,619
Other current receivables		2,752	2,370
Inventories and non-invoiced services	(5.3.3)	1,804	2,320
Accrued income and prepaid expenses		406	380
Total current assets		42,653	30,364
Financial assets		1,204	1,130
Shareholdings	(5.3.4)	8,000	8,000
Tangible fixed assets	(5.3.5) / (5.4.5)	21,349	23,040
Intangible fixed assets	(5.3.6)	600	800
Share capital not fully paid up		0	0
Total non-current assets		31,153	32,970
Total assets		73,806	63,334

Liabilities in CHF 1,000 Art. 959a para. 2 OR	Notes	31/12/2015	31/12/2014
Trade creditors	(5.3.7)	11,590	9,734
Current interest-bearing liabilities		2,858	2,348
Other current liabilities	(5.3.8)	2,909	3,109
Deferred income and accrued expenses		1,823	1,657
Total current borrowed capital		19,180	16,848
Long-term interest-bearing liabilities	(5.5.1)	20,590	20,590
Other long-term liabilities		3,187	3,654
Provisions and similar items required by law	(5.3.9)	7,278	6,408
Total long-term borrowed capital		31,055	30,652
Share capital		2,000	2,000
Statutory capital reserves		400	400
• Of which reserves from tax capital contributions		300	300
• Of which other capital reserves		100	100
Statutory retained earnings		400	400
Voluntary retained earnings		20,971	13,234
Own shares	(5.4.2)	-200	-200
Total shareholders' equity		23,571	15,834
Total liabilities		73,806	63,334

3. Profit and loss account

in CHF 1,000	Nature of expense method in accordance with Art. 959b para. 2 OR	Notes	2015	2014
	Gross revenue from sales of goods and services		125,340	122,732
	Deductions and discounts		-1,439	-1,000
	Net proceeds from sales of goods and services		123,901	121,732
	Other operating income		2,178	2,312
	Changes in inventories of unfinished and finished goods and in non-invoiced services		4,095	3,868
	Total other operating income		6,273	6,180
	Cost of materials		-75,325	-73,720
	Staff costs		-28,990	-29,931
	Expenditure on research and development		-8,773	-8,591
	Other operational costs		-5,767	-4,389
	Depreciation on fixed asset items		-2,209	-1,690
	Value adjustments on fixed asset items		-200	-300
	Total operating expenditure		-121,264	-118,621
	Operating profit		8,910	9,291
	Financial costs		-920	-890
	Financial income		439	421
	Total financial income		-481	-469
	Non-operational costs and non-operational income		28	48
	Extraordinary, non-recurring or prior-period costs and income	(5.4.8)	2,576	31
	Total other income		2,604	79
	Annual profit before tax		11,033	8,901
	Direct taxes		-2,096	-1,691
	Annual profit		8,937	7,210
	Retained earnings, beginning of the year		13,234	8,024
	Dividend payments		-1,200	-2,000
	Retained earnings, end of the year		20,971	13,234

4. Cash flow statement

Cash flow statement in CHF 1,000	Art. 961b OR	Notes	2015	2014
Annual profit			8'937	7'210
Decrease/(increase) in trade receivables and other current receivables			-1,922	-2,560
Decrease/(increase) in inventories and non-invoiced services			516	320
Decrease/(increase) in accrued income and prepaid expenses			-26	-198
Increase/(decrease) in trade creditor and other current liabilities			1,628	68
Increase/(decrease) in current interest-bearing liabilities			584	21
Increase/(decrease) in deferred income and accrued expenses			183	70
Increase/(decrease) in provisions and similar items required by law			492	-686
Depreciation on fixed asset items			2,209	6,590
Value adjustments on fixed asset items			200	0
Other (income)/expenditure not related to cash flow			-1,419	-697
Direct tax expenses			2,096	2,261
Income tax paid			-396	-822
Cash inflow from operating activities			13,082	11,577
- Payments for investments in (purchase of) financial assets (incl. loans, shares, securities etc.)			-74	-1,460
+ Receipt of payments from divestment (sale) of financial assets (incl. loans, shares, securities etc.)			0	90
- Payments for investments in (purchase of) tangible fixed assets			-493	-5,680
+ Receipt of payments from divestment (sale) of tangible fixed assets			0	210
- Payments for investments in (purchase of) intangible fixed assets			0	0
+ Receipt of payments from divestment (sale) of intangible fixed assets			0	0
Cash outflow for investment activities			-567	-6,840
- Payments for capital reductions with release of funds			0	0
+ Receipt of payments from capital increases (incl. additional paid in capital)			0	0
- Distribution of profits to shareholders (dividends)			-1,200	-2,000
+ Dividends received			0	0
-/+ Purchase/sale of shareholders' equity shares		(5.4.2)	0	300
+/- Receipt/repayments of short-term interest-bearing liabilities			-510	0
+/- Receipt/repayments of long-term interest-bearing liabilities			0	0
Cash outflow for financing activities			-1,710	-1,700
Net increase in cash and cash equivalents			10,805	3,037
Cash and cash equivalents on 1 January			6,675	3,298
Effect of foreign exchange rate changes			368	340
Net increase in cash and cash equivalents			10,805	3,037
Cash and cash equivalents on 31 December			17,848	6,675
Changes in cash and cash equivalents			11,173	3,377

5. Notes

(incl. additional information)

5.1. General information

Basic principle	Explanation	Legal basis
General information	Sample AG and its subsidiaries are predominantly active in Switzerland with 15 brands/models. They are active along the entire supply chain, from production to storage and sales.	
Legal form, registered office and capital	<p>Sample AG was established as a joint-stock company in Switzerland and is domiciled in Zurich, ZH.</p> <p>The share capital of Sample AG amounts to CHF 2,000,000 and is made up of 2,000 bearer shares with a par value of CHF 1,000.</p> <p>The annual accounts were approved by the Board of Directors on 15 March 2016 and will be submitted to the Annual General Meeting on 15 May 2016.</p>	Art. 959c para. 2 fig. 1 OR
Information on full-time positions on annual average	Sample AG has an annual average of over 250 full-time positions (previous year: over 250 full-time positions).	Art. 959c para. 2 fig. 2 OR
Information on previous year's figures	The previous year's figures were prepared according to the new financial reporting law, in order to achieve a consistent representation and breakdown of the figures. Any differences in valuation resulting from the application of the new financial reporting law have been posted to the current financial year.	Art. 2 para. 4 Provisions for transition

5.2. Key accounting and valuation principles (art. 959c para. 1 fig. 1 OR)

Basic principle	Explanation
Principles of financial reporting	The present annual accounts for Sample AG have been prepared in accordance with the regulations of Swiss financial reporting law. The main accounting and valuation principles used, which are not already specified by the Code of Obligations, are described as follows.
Estimates and assumptions made by management	<p>Financial reporting under the Code of Obligations requires certain estimates and assumptions to be made by management. These are made continuously and are based on past experience and other factors (e.g. anticipations of future results, which seem appropriate under the circumstances). The results subsequently achieved may deviate from these estimates.</p> <p>Actual items in the annual accounts, which are based on the estimates and assumptions made by management, are as follows:</p> <ul style="list-style-type: none"> • Entry of profits • Tangible fixed assets and intangible fixed assets • Direct taxes • Trade receivables • Inventories and non-invoiced services • Provisions
Foreign currency items	<p>The currency in which Sample AG operates is Swiss Francs (CHF). Transactions in foreign currencies are converted into the currency in which the company operates (CHF) at the exchange rate on the day the transaction takes place.</p> <ul style="list-style-type: none"> • Monetary assets and liabilities in foreign currencies are converted into the currency in which the company operates at the exchange rate on the balance sheet date. Any profits or losses resulting from the exchange are recorded in the profit and loss account. • Non-monetary assets and liabilities at historical costs are converted at the foreign exchange rate at the time of the transaction. Any foreign exchange profits are deferred in the balance sheet as not having an effect on net income. Foreign exchange losses, on the other hand, are recorded in the profit and loss account.
Related parties	Related parties include subsidiary companies, members of the Board of Directors and Sample AG shareholders. Transactions with related parties must take place under proper market conditions (dealing at an arm's length).

Basic principle	Explanation																		
Cash and cash equivalents and current assets with a stock exchange price	The cash and current assets with a stock exchange price item includes cash holdings, bank deposits and short-term money market investments maturing in a maximum of 3 months. They are recorded at their nominal value.																		
Trade receivables	Trade receivables are recorded at their original net invoice amount, less a value adjustment for specific receivables carrying risk (contingency reserves). Value adjustments are carried out for receivables, which are more than 12 months overdue (in arrears) or for which specific risks have been identified. Doubtful receivables are written off.																		
Inventories and non-invoiced services	<p>Inventories and non-invoiced services are generally recorded as acquisition or manufacturing costs. Acquisition costs are determined using the weighted average method. Discounts received are treated as reductions in acquisition costs. Manufacturing costs cover all the directly attributable materials and production costs (direct costs and overheads), as well as distribution costs involved in getting inventories to their current location or condition.</p> <p>If the net realisable value is less than the acquisition or manufacturing cost on the balance sheet closing date, this is a determining factor for inventory provision.</p> <p>General provisions permitted for tax purposes may be made.</p>																		
Current assets with a stock exchange price and financial assets	<p>Current assets with a stock exchange price are valued at the stock exchange price on the balance sheet closing date. There is no provision for a fluctuation reserve.</p> <p>Financial assets include long-term securities without a stock exchange price or an observable market price. These are valued no higher than the acquisition cost less any value adjustments.</p>																		
Tangible fixed assets	<p>The straight-line depreciation method is used for tangible fixed assets according to their expected useful life. Exceptions are made for undeveloped land and land which are not depreciated. Useful lives are established as follows and are revised each year:</p> <table border="0"> <tbody> <tr> <td>Undeveloped land</td> <td>No depreciation</td> </tr> <tr> <td>Land</td> <td>No depreciation</td> </tr> <tr> <td>Buildings</td> <td>20 to 40 years</td> </tr> <tr> <td>Building facilities</td> <td>10 to 40 years</td> </tr> <tr> <td>Machines and production facilities</td> <td>5 to 15 years</td> </tr> <tr> <td>Assets under construction</td> <td>No depreciation</td> </tr> <tr> <td>Leased assets</td> <td>According to term of contract</td> </tr> <tr> <td>Computers and hardware</td> <td>3 to 5 years</td> </tr> <tr> <td>Vehicle fleet</td> <td>5 to 8 years</td> </tr> </tbody> </table> <p>If there is any evidence of an over-valuation, the accounting values are checked and adjusted where necessary.</p>	Undeveloped land	No depreciation	Land	No depreciation	Buildings	20 to 40 years	Building facilities	10 to 40 years	Machines and production facilities	5 to 15 years	Assets under construction	No depreciation	Leased assets	According to term of contract	Computers and hardware	3 to 5 years	Vehicle fleet	5 to 8 years
Undeveloped land	No depreciation																		
Land	No depreciation																		
Buildings	20 to 40 years																		
Building facilities	10 to 40 years																		
Machines and production facilities	5 to 15 years																		
Assets under construction	No depreciation																		
Leased assets	According to term of contract																		
Computers and hardware	3 to 5 years																		
Vehicle fleet	5 to 8 years																		
Intangible fixed assets	<p>Usage rights: Usage rights cover the rights to use certain technologies and software. These are amortised over their useful lives (maximum five years).</p> <p>Software: The software item covers software developed internally and software implementation costs, which are then recorded (capitalised) as intangible fixed assets if it is probable that they will generate future economic benefits. Costs cover staff costs for internal software developers and the direct share of overheads. Capitalised costs are amortised using the straight-line method over their estimated useful lives (maximum five years).</p> <p>Licences and patents: Licences and patents that have been acquired to give entitlement to use new technologies and software. These are written off over their useful lives (maximum ten years).</p>																		
Own shares	Own shares are recorded at acquisition cost on the balance sheet as negative items in the equity capital. If they are resold at a later date, the profit or loss is recorded as financial costs or financial income having an effect on net income.																		
Revenue recognition	<p>Sample AG records the gross invoice amounts from the sale of goods and services, after deduction of value-added tax, as gross profits from goods and services. Any differences between the agreed net prices and the gross amounts actually invoiced (e.g. due to rebates, discounts or other price deductions) are recorded under "deductions and discounts". Net proceeds from sales of goods and services therefore represent the income of Sample AG during the financial year.</p> <p>Sales revenue are recorded when Sample AG has transferred the significant risks and rewards of ownership for the products sold to the customer and the recoverability of the receivables is reasonably assured (avoidance of loss-making business). As a rule, this is when the goods are handed over to the customer.</p> <p>Where services and projects are concerned, the revenue is only recognised when contracts are completed.</p> <p>Provisions are made for expected warranty claims arising from the sale of goods and services where necessary.</p>																		

Basic principle	Explanation
Shareholder rights and options	Own shares are allocated to management and administrative bodies or to employees as shareholder rights or options. The difference between the acquisition value and any payments to counterparties during share allocation is shown as staff costs.
Leasing transactions	Leasing and rental contracts are accounted for in accordance with legal ownership. Expenses as a lessee or tenant are recorded correspondingly as expenditure in the relevant period.

5.3. Information relating to items on the balance sheet and profit and loss account (art. 959c para. 1 fig. 2 OR)

5.3.1. Cash and cash equivalents and current assets with a stock exchange price

in CHF 1,000	31/12/2015	31/12/2014
of which in CHF	15,459	4,870
of which in USD	1,669	950
of which in EUR	720	855
Total	17,848	6,675

5.3.2. Trade receivables

in CHF 1,000	31/12/2015	31/12/2014
Receivables from third parties	18,696	17,467
Receivables from associated companies	740	830
Receivables from shareholders	2,381	2,009
less value adjustments	-1,974	-1,687
Total	19,843	18,619

5.3.3. Inventories and non-invoiced services

in CHF 1,000	31/12/2015	31/12/2014
Raw materials, consumables and supplies	187	156
Work in progress	686	665
Finished goods	801	1,229
Non-invoiced services	780	980
less value adjustments	-650	-710
Total	1,804	2,320

5.3.4. Shareholdings

Shareholding	Registered office	Share capital in 1,000	Capital shares as %		Voting shares as %	
			31/12/2015	31/12/2014	31/12/2015	31/12/2014
Sample Management AG	Zurich, ZH	CHF 100	100	100	100	100
Sample Administration AG	Thalwil, ZH	CHF 500	100	100	100	100
Sample Manufacturing AG	Horn, TG	CHF 1,000	90	90	90	90

5.3.5. Tangible fixed assets

in CHF 1,000	31/12/2015	31/12/2014
Undeveloped land	620	620
Land	2,180	2,180
Premises	6,770	6,770
Building facilities	610	779
Machines and production facilities	17,738	17,270
Assets under construction	1,720	1,501
Leased assets	340	340
Computers and hardware	580	580
Vehicle fleet	240	240
less depreciation and value adjustments	-9,449	-7,240
Total	21,349	23,040

5.3.6. Intangible fixed assets

in CHF 1,000	31/12/2015	31/12/2014
Usage rights	78	78
Software	602	602
Licences and patents	520	520
less value adjustments	-600	-400
Total	600	800

5.3.7. Trade creditors

in CHF 1,000	31/12/2015	31/12/2014
Liabilities vis-à-vis third parties	10,947	9,007
Liabilities vis-à-vis associated companies	430	487
Liabilities vis-à-vis shareholders	213	240
Total	11,590	9,734

5.3.8. Other current liabilities

in CHF 1,000	31/12/2015	31/12/2014
Liabilities vis-à-vis third parties	320	556
Liabilities vis-à-vis pension schemes	830	921
Liabilities vis-à-vis tax authorities	1,700	1,564
Liabilities vis-à-vis institutions and staff	59	68
Total	2,909	3,109

5.3.9. Provisions and similar items required by law

in CHF 1,000	31/12/2015	31/12/2014
Provisions for warranties	620	610
Restructuring provisions	400	0
Provisions for disputes	120	90
Provisions for onerous contracts	2,389	2,013
Provisions for environmental obligations	287	290
Provisions for staff and social obligations	2,809	2,728
Other provisions	653	677
Total	7,278	6,408

5.4. Other information, which is not already visible in the balance sheet or profit and loss account

5.4.1. Net liquidation of hidden reserves (Art. 959c para. 1 fig. 3 OR)

in CHF 1,000	2015	2014
Net liquidation of replacement reserves	0	0
Net liquidation of hidden reserves	0	0
Total	0	0

5.4.2. Own shares (Art. 959c para. 2 fig. 4-5 OR)

in CHF 1,000	31/12/2015	31/12/2014
Status of own shares as at 01/01	-200	-500
Purchases	0	0
Distribution/issue to employees and institutions	0	0
Sales	0	300
Status of own shares as at 31/12	-200	-200

5.4.3. Residual amount of leasing liabilities (Art. 959c para. 2 fig. 6 OR)

Leasing liabilities, which will not expire and may not be terminated within twelve months, are subject to the following repayment structure:

in CHF 1,000	31/12/2015	31/12/2014
< 1 year	0	0
1 – 5 years	340	0
> 5 years	0	340
Total	340	340

5.4.4. Total amount of collateral for third party liabilities (Art. 959c para. 2 fig. 8 OR)

in CHF 1,000	31/12/2015	31/12/2014
NA	0	0
Total	0	0

5.4.5. Total amount of assets pledged or assigned to secure own liabilities and assets under reservation of ownership (Art. 959c para. 2 fig. 9 OR)

in CHF 1,000	31/12/2015	31/12/2014
Tangible fixed assets	4,000	4,000
Total	4,000	4,000

Assets pledged to secure own liabilities amounted to CHF 4,000,000 (previous year: CHF 4,000,000). This concerns the securing of loans to shareholders.

No retention of ownership was granted for assets.

5.4.6. Contingent liabilities (Art. 959c para. 2 fig. 10 OR)

Included under contingent liabilities are legal or actual obligations, for which a cash outflow either appears unlikely or is of an amount that cannot be reliably estimated. Contingent liabilities as at the closing date can be summed up as follows:

in CHF 1000	31/12/2015	31/12/2014
Guarantees and sureties	150	150
Disputes	120	80
Outstanding commitments to take delivery of tangible fixed assets and inventories (framework agreements)	30	40
Total	300	270

5.4.7. Shareholder rights and options (Art. 959c para. 2 fig. 11 OR)

In 2015, the following shareholder rights (shares) and options were held by management or administrative bodies and by employees:

	Shareholder rights		Options		Total
	Number	in CHF 1,000	Number	in CHF 1,000	in CHF 1,000
Issued to management and administrative bodies	100	400	20	30	430
Issued to employees	350	1,400	500	750	2,150
Total	450	1,800	520	780	2,580

5.4.8. Explanations concerning extraordinary, non-recurring or prior period items in the profit and loss account (Art. 959c para. 2 fig. 12 OR)

The extraordinary, non-recurring or prior period items in the profit and loss account include one-off revenue of CHF 2,800 K resulting from winning a dispute with a supplier.

The extraordinary, non-recurring or prior period items in the profit and loss account also include an expenditure of CHF 400 K on restructuring for the planned future redundancies of employees at the Horn site.

5.4.9. Significant events occurring after the balance sheet date (Art. 959c para. 2 fig. 13 OR)

On 20/02/2016 the company Handels AG was purchased for CHF 1,500 K. The name of the company will change to Muster-Handels AG and will be wholly owned by Sample AG.

5.5. Additional information in the notes (Art. 961a OR)

5.5.1. Long-term interest-bearing liabilities (Art. 961a fig. 1 OR)

in CHF 1,000	31/12/2015	31/12/2014	Repayment structure	
			1 – 5 years	> 5 years
Loans from shareholders	18,000	18,000	0	18,000
Bank loans	2,590	2,590	2,590	0
Total	20,590	20,590	2,590	18,000

5.5.2. Fees for audit services and other services (Art. 961a fig. 2 OR)

in CHF 1,000	2015	2014
Audit services	260	240
Other services	49	51
Total	309	291

Proposal of the Board of Directors for the appropriation of available earnings

in CHF 1,000	2015	2014
Annual profit	8,937	7,210
Brought forward from previous year	12,034	6,024
Reduction/allocation to reserves	-	-
Available earnings	20,971	13,234
Payment of dividend from available earnings	-1,500	-1,200
Balance to be carried forward	19,471	12,034

The Board of Directors will propose to the Annual General Meeting of 15 May 2016 that a dividend of CHF 750 per bearer share be paid out (total pay-out CHF 1,500 K). The Board of Directors will also propose that CHF 19,471 K be carried forward to the next financial year.

In the previous year, a decision was taken at the Annual General Meeting of 15 May 2015 to pay out CHF 600 per bearer share (total pay-out CHF 1,200 K).

Notes

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