



Kohsel A/S

Sønderskovej 1
8362 Hørning
CVR No. 32517714

Annual report 01.05.2020 - 30.04.2021

The Annual General Meeting adopted the
annual report on 05.10.2021

Carl Erik Skovgaard

Chairman of the General Meeting

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Entity details

Entity

Kohsel A/S

Sønderskovvej 1

8362 Hørning

CVR No.: 32517714

Registered office: Skanderborg

Financial year: 01.05.2020 - 30.04.2021

Board of Directors

David Packness Meyer

Carl Erik Skovgaard

Jørgen Yde Jensen

Thomas Hougaard Bonde

Peter Arndrup Poulsen

Executive Board

Morten Vestergaard Kohsel

Henrik Sørensen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Kohsel A/S for the financial year 01.05.2020 - 30.04.2021.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.04.2021 and of the results of its operations for the financial year 01.05.2020 - 30.04.2021.

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

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

Hørning, 05.10.2021

Executive Board

Morten Vestergaard Kohsel

Henrik Sørensen

Board of Directors

David Packness Meyer

Carl Erik Skovgaard

Jørgen Yde Jensen

Thomas Hougaard Bonde

Peter Arndrup Poulsen

Independent auditor's report

To the shareholders of Kohsel A/S

Opinion

We have audited the financial statements of Kohsel A/S for the financial year 01.05.2020 - 30.04.2021, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.04.2021 and of the results of its operations for the financial year 01.05.2020 - 30.04.2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aarhus, 05.10.2021

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Michael Bach

State Authorised Public Accountant
Identification No (MNE) mne19691

Søren Lassen

State Authorised Public Accountant
Identification No (MNE) mne18520

Management commentary

Financial highlights

| | 2020/21 DKK'000 | 2019/20 DKK'000 | 2018/19 DKK'000 | 2017/18 DKK'000 | 2016/17 DKK'000 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Key figures | | | | | |
| Gross profit/loss | 36,972 | 45,937 | 36,868 | 31,360 | 40,161 |
| Operating profit/loss | 17,655 | 28,132 | 20,159 | 17,948 | 28,014 |
| Net financials | (5,380) | (92) | 1,214 | (82) | 157 |
| Profit/loss for the year | 9,836 | 21,864 | 16,622 | 13,919 | 21,959 |
| Total assets | 113,112 | 103,471 | 78,516 | 77,175 | 81,233 |
| Investments in property, plant and equipment | 226 | 478 | 659 | 330 | 840 |
| Equity | 55,094 | 55,258 | 51,393 | 49,772 | 36,853 |
| Ratios | | | | | |
| Return on equity (%) | 17.83 | 41.00 | 32.86 | 32.14 | 59.88 |
| Equity ratio (%) | 48.71 | 53.40 | 65.46 | 64.49 | 45.37 |

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

Return on equity (%):

Profit/loss for the year * 100

Average equity

Equity ratio (%):

Equity * 100

Total assets

Primary activities

The Company's activity consists of development, production and marketing of inductive solutions.

Development in activities and finances

The Company realised a profit of DKK 9,835,792 for the financial year 2020/21. Management considers profit for the year satisfactory.

The ongoing COVID-19 pandemic may have an effect on profit and revenue, but management does not consider that it will have a material impact on the company's financial position and development as a whole.

Outlook

Management expects a slight increase in the activity level for the coming financial year. The profit margin is expected to be lower due to change in product mix, rising prices for raw material and transport, rising depreciation following investments in new factories and a new ERP system.

Intellectual capital resources

The Company is delivering high-quality products. The Company's staff is working according to an extensive quality management system, ensuring optimum use of the Company's knowledge resources.

The Company's quality handbook complies with the DS/ENISO 9001 (2015) standard and ISO 14001 (2015).

The Company takes on responsibility for the working environment and focuses on employee health. The working environment meets the highest national requirements in Denmark, Latvia and Thailand. Kohsel Thailand are audited by BSI according to Sedex Members Ethical Trade Audit (SMETA).

We focus on developing and maintaining an attractive workplace, contributing to the employees' health and wellbeing.

Kohsel have committed to follow the 10 principles set by UN Global Compact.

Environmental performance

Kohsel A/S is an environmentally conscious enterprise, which carries out ongoing improvements in relation to environmental considerations and has been awarded for participation in 3R Project (Reduce, Re-use and Recycle) with Ministry of Industry, Thailand.

Kohsel Thailand have in 2020/21 been Green Industry, level 3 certified.

Events after the balance sheet date

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

Income statement for 2020/21

| | Notes | 2020/21 DKK | 2019/20 DKK |
|--|-------|-------------------|-------------------|
| Gross profit/loss | | 36,971,602 | 45,937,407 |
| Staff costs | 1 | (18,670,346) | (17,190,953) |
| Depreciation, amortisation and impairment losses | 2 | (646,022) | (614,239) |
| Operating profit/loss | | 17,655,234 | 28,132,215 |
| Other financial income | 3 | 1,841,356 | 1,596,789 |
| Other financial expenses | | (7,221,057) | (1,688,791) |
| Profit/loss before tax | | 12,275,533 | 28,040,213 |
| Tax on profit/loss for the year | 4 | (2,439,741) | (6,175,800) |
| Profit/loss for the year | 5 | 9,835,792 | 21,864,413 |

Balance sheet at 30.04.2021

Assets

| | Notes | 2020/21 DKK | 2019/20 DKK |
|--|-------|--------------------|--------------------|
| Completed development projects | 7 | 0 | 342,289 |
| Acquired intangible assets | | 254,145 | 0 |
| Development projects in progress | 7 | 8,253,198 | 4,155,330 |
| Intangible assets | 6 | 8,507,343 | 4,497,619 |
| Land and buildings | | 1,934,930 | 2,075,365 |
| Other fixtures and fittings, tools and equipment | | 509,865 | 556,405 |
| Property, plant and equipment | 8 | 2,444,795 | 2,631,770 |
| Investments in group enterprises | | 741,501 | 741,501 |
| Receivables from group enterprises | | 41,401,644 | 17,195,449 |
| Financial assets | 9 | 42,143,145 | 17,936,950 |
| Fixed assets | | 53,095,283 | 25,066,339 |
| Raw materials and consumables | | 22,288,868 | 23,416,771 |
| Manufactured goods and goods for resale | | 8,821,871 | 8,898,128 |
| Prepayments for goods | | 1,126,945 | 674,323 |
| Inventories | | 32,237,684 | 32,989,222 |
| Trade receivables | | 9,834,392 | 13,410,889 |
| Receivables from group enterprises | | 13,220,457 | 22,332,284 |
| Other receivables | | 12,540 | 12,195 |
| Prepayments | 10 | 503,797 | 546,111 |
| Receivables | | 23,571,186 | 36,301,479 |
| Cash | | 4,207,628 | 9,114,186 |
| Current assets | | 60,016,498 | 78,404,887 |
| Assets | | 113,111,781 | 103,471,226 |

Equity and liabilities

| | Notes | 2020/21 DKK | 2019/20 DKK |
|--|--------------|------------------------|------------------------|
| Contributed capital | | 700,000 | 700,000 |
| Reserve for development expenditure | | 6,522,092 | 3,508,144 |
| Retained earnings | | 34,871,606 | 41,049,762 |
| Proposed dividend | | 13,000,000 | 10,000,000 |
| Equity | | 55,093,698 | 55,257,906 |
| Deferred tax | 11 | 2,037,000 | 1,209,700 |
| Other provisions | 12 | 500,000 | 600,000 |
| Provisions | | 2,537,000 | 1,809,700 |
| Bank loans | | 12,000,000 | 0 |
| Other payables | | 0 | 843,273 |
| Non-current liabilities other than provisions | 13 | 12,000,000 | 843,273 |
| Current portion of non-current liabilities other than provisions | 13 | 3,000,000 | 0 |
| Bank loans | | 18,591,906 | 14,721,411 |
| Trade payables | | 11,738,787 | 11,813,382 |
| Payables to group enterprises | | 6,300,000 | 7,169,344 |
| Tax payable | | 415,441 | 4,318,800 |
| Other payables | | 3,434,949 | 7,537,410 |
| Current liabilities other than provisions | | 43,481,083 | 45,560,347 |
| Liabilities other than provisions | | 55,481,083 | 46,403,620 |
| Equity and liabilities | | 113,111,781 | 103,471,226 |
| Unrecognised rental and lease commitments | 14 | | |
| Contingent liabilities | 15 | | |
| Assets charged and collateral | 16 | | |
| Related parties with controlling interest | 17 | | |
| Non-arm's length related party transactions | 18 | | |
| Group relations | 19 | | |

Statement of changes in equity for 2020/21

| | Contributed capital DKK | Reserve for development expenditure DKK | Retained earnings DKK | Proposed dividend DKK | Total DKK |
|---------------------------|-------------------------------|--|-----------------------------|-----------------------------|-------------------|
| Equity beginning of year | 700,000 | 3,508,144 | 41,049,762 | 10,000,000 | 55,257,906 |
| Ordinary dividend paid | 0 | 0 | 0 | (10,000,000) | (10,000,000) |
| Transfer to reserves | 0 | 3,013,948 | (3,013,948) | 0 | 0 |
| Profit/loss for the year | 0 | 0 | (3,164,208) | 13,000,000 | 9,835,792 |
| Equity end of year | 700,000 | 6,522,092 | 34,871,606 | 13,000,000 | 55,093,698 |

Notes

1 Staff costs

| | 2020/21 DKK | 2019/20 DKK |
|---------------------------------------|-------------------|-------------------|
| Wages and salaries | 16,744,685 | 15,061,037 |
| Pension costs | 1,013,495 | 1,046,116 |
| Other social security costs | 912,166 | 1,083,800 |
| | 18,670,346 | 17,190,953 |
| Average number of full-time employees | 25 | 25 |

| | Remuneration of management 2020/21 DKK | Remuneration of management 2019/20 DKK |
|--------------------|--|--|
| Executive Board | 2,582,881 | 2,527,582 |
| Board of Directors | 322,500 | 270,000 |
| | 2,905,381 | 2,797,582 |

2 Depreciation, amortisation and impairment losses

| | 2020/21 DKK | 2019/20 DKK |
|--|----------------|----------------|
| Amortisation of intangible assets | 237,994 | 233,832 |
| Depreciation of property, plant and equipment | 413,028 | 380,407 |
| Profit/loss from sale of intangible assets and property, plant and equipment | (5,000) | 0 |
| | 646,022 | 614,239 |

3 Other financial income

| | 2020/21 DKK | 2019/20 DKK |
|---|------------------|------------------|
| Financial income from group enterprises | 1,688,098 | 791,622 |
| Other interest income | 153,258 | 805,167 |
| | 1,841,356 | 1,596,789 |

4 Tax on profit/loss for the year

| | 2020/21 DKK | 2019/20 DKK |
|------------------------|------------------|------------------|
| Current tax | 1,612,441 | 5,508,800 |
| Change in deferred tax | 827,300 | 667,000 |
| | 2,439,741 | 6,175,800 |

5 Proposed distribution of profit and loss

| | 2020/21 DKK | 2019/20 DKK |
|--|------------------|-------------------|
| Ordinary dividend for the financial year | 13,000,000 | 10,000,000 |
| Extraordinary dividend distributed in the financial year | 0 | 10,000,000 |
| Retained earnings | (3,164,208) | 1,864,413 |
| | 9,835,792 | 21,864,413 |

6 Intangible assets

| | Completed development projects DKK | Acquired intangible assets DKK | Development projects in progress DKK |
|---|---|---|---|
| Cost beginning of year | 701,495 | 0 | 4,155,330 |
| Transfers | (701,495) | 701,495 | 0 |
| Additions | 0 | 149,850 | 4,097,868 |
| Cost end of year | 0 | 851,345 | 8,253,198 |
| Amortisation and impairment losses beginning of year | (359,206) | 0 | 0 |
| Transfers | 359,206 | (359,206) | 0 |
| Amortisation for the year | 0 | (237,994) | 0 |
| Amortisation and impairment losses end of year | 0 | (597,200) | 0 |
| Carrying amount end of year | 0 | 254,145 | 8,253,198 |

7 Development projects

The Company's development projects consists of development of ERP system, which is still under development. The ERP-system is expected to be completed in the coming year. Completed development projects consists of software for management, optimization and software for simulation and BIM. There are no identified indicators of impairment.

8 Property, plant and equipment

| | Land and buildings DKK | Other fixtures and fittings, tools and equipment DKK |
|---|------------------------------|--|
| Cost beginning of year | 6,433,476 | 2,733,373 |
| Additions | 0 | 226,053 |
| Disposals | 0 | (127,439) |
| Cost end of year | 6,433,476 | 2,831,987 |
| Depreciation and impairment losses beginning of year | (4,358,111) | (2,176,968) |
| Depreciation for the year | (140,435) | (272,593) |
| Reversal regarding disposals | 0 | 127,439 |
| Depreciation and impairment losses end of year | (4,498,546) | (2,322,122) |
| Carrying amount end of year | 1,934,930 | 509,865 |

9 Financial assets

| | Investments in group enterprises DKK |
|------------------------------------|---|
| Cost beginning of year | 741,501 |
| Cost end of year | 741,501 |
| Carrying amount end of year | 741,501 |

| Investments in subsidiaries | Registered in | Equity interest % |
|-----------------------------|---------------|-------------------------|
| Kohsel (Thailand) Co. Ltd. | Thailand | 100 |
| SIA Kohsel | Latvia | 100 |
| Kohsel GmbH | Tyskland | 100 |

10 Prepayments

Costs incurred relating to the subsequent financial year.

11 Deferred tax

| | 2020/21 DKK | 2019/20 DKK |
|-------------------------------|------------------|------------------|
| Intangible assets | 1,843,000 | 989,500 |
| Property, plant and equipment | 83,000 | 100,000 |
| Receivables | 111,000 | 120,200 |
| Deferred tax | 2,037,000 | 1,209,700 |

| | 2020/21 DKK | 2019/20 DKK |
|------------------------------------|------------------|------------------|
| Changes during the year | | |
| Beginning of year | 1,209,700 | 542,700 |
| Recognised in the income statement | 827,300 | 667,000 |
| End of year | 2,037,000 | 1,209,700 |

12 Other provisions

Other provisions comprise expected costs of guarantee commitments.

13 Non-current liabilities other than provisions

| | Due within 12 months 2020/21 DKK | Due after more than 12 months 2020/21 DKK |
|------------|---|---|
| Bank loans | 3,000,000 | 12,000,000 |
| | 3,000,000 | 12,000,000 |

Outstanding after 5 years: 0 DKK

14 Unrecognised rental and lease commitments

| | 2020/21 DKK | 2019/20 DKK |
|--|----------------|----------------|
| Liabilities under rental or lease agreements until maturity in total | 13,400 | 46,270 |

15 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Kohsel Holding ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

16 Assets charged and collateral

The company has provided payment guarantees to AL Finans of DKK 4,500,000 nominal.

17 Related parties with controlling interest

Related parties with controlling interest in the Company includes:

Kohsel Holding ApS, CVR No. 35867694, Hørning owns all shares in the company and has therefor controlling interest.

SE Blue Equity I K/S, CVR No. 35485058, Kolding holds the majority of Kohsel Holding ApS and has therefor controlling interest.

18 Non-arm's length related party transactions

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

19 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Kohsel Holding ApS, CVR No. 35867694, Sønderkovvej 1, 8362 Hørning.

Accounting policies

Reporting class

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

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

Consolidated financial statements

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Recognition and measurement

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

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

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

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

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

Foreign currency translation

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

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories and other external expenses.

Revenue

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

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

Other external expenses

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

Staff costs

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

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, payables and transactions in foreign currencies, amortisation of financial assets etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities etc.

Tax on profit/loss for the year

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

The Entity is jointly taxed with the Parent and all the Parent's Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet**Intellectual property rights etc**

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred.

When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 3 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

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

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

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

| | |
|--|----------|
| Buildings | 25 years |
| Other fixtures and fittings, tools and equipment | 4 years |

Estimated useful lives and residual values are reassessed annually.

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

Investments in group enterprises

Investments in group enterprises are measured at cost. Investments are written down to the lower of recoverable amount and carrying amount.

Receivables

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

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value. Obsolete goods are written down, including slow-moving goods.

Cost of manufactured goods, raw materials and consumables consists of purchase price plus delivery costs. Costs of manufactured goods and work in progress consists of costs of raw materials, consumables og direct labour costs.

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

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Dividend

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

Deferred tax

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

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

Other provisions

Other provisions comprise expected costs of guarantee commitments.

Other provisions are recognised and measured as the best estimate of the expenses required to discharge the obligations at the balance sheet date.

Guarantee commitments comprise commitments to remedy defects and deficiencies within the warranty period.

Other financial liabilities

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

Tax receivable or payable

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

Cash flow statement

Referring to Section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared.