ICEpower Holding ApS

Vandtårnsvej 62 A, 3. b., DK-2860 Søborg

Annual Report for 1 June 2022 - 31 May 2023

CVR No 37 58 46 73

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 5 /9 2023

Henrik Rasmussen
Chairman of the General Meeting

Contents

Management’s Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of ICEpower Holding ApS for the financial year 1 June 2022 - 31 May 2023.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 May 2023 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2022/23.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 5 September 2023

Executive Board

Keld Lindegaard Andersen
Executive Officer

Board of Directors

Henrik Bjørn Rasmussen Chairman	Ronnie Møller-Thorsøe	Anders Sejer Tranberg-Hansen

Independent Auditor's Report

To the Shareholders of ICEpower Holding ApS

Opinion
In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 May 2023 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 June 2022 - 31 May 2023 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of ICEpower Holding ApS for the financial year 1 June 2022 - 31 May 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, 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 Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Group or the Company 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 Company's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent Auditor's Report

- 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 Group's and the Company'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 Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Hellerup, 5 September 2023
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Niels Henrik B. Mikkelsen
State Authorised Public Accountant
mne16675

Martin Birch
State Authorised Public Accountant
mne42825

Company Information

The Company	ICEpower Holding ApS Vandtårnsvej 62 A, 3. b. DK-2860 Søborg CVR No: 37 58 46 73 Financial period: 1 June - 31 May Incorporated: 3 April 2016 Municipality of reg. office: Gladsaxe Kommune
Board of Directors	Henrik Bjørn Rasmussen, Chairman Ronnie Møller-Thorsøe Anders Sejer Tranberg-Hansen
Executive Board	Keld Lindegaard Andersen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

Seen over a five-year period, the development of the Group is described by the following financial highlights:

	Group				
	2022/23	2021/22	2020/21	2019/20	2018/19
	kDKK	kDKK	kDKK	kDKK	kDKK
Key figures					
Profit/loss					
Gross profit/loss	137,723	116,750	70,863	70,491	55,546
Profit/loss before financial income and expenses	50,854	39,306	3,991	13,238	10,795
Net financials	-12,815	-6,300	3,930	-4,012	-3,824
Net profit/loss for the year	29,778	27,104	8,103	7,455	5,398
Balance sheet					
Balance sheet total	221,944	151,934	123,083	121,677	111,847
Equity	105,338	71,329	58,828	50,055	47,600
Cash flows					
Cash flows from:					
- operating activities	36,991	43,404	34,927	43,995	35,568
- investing activities	-48,367	-40,596	-33,038	-35,716	-20,082
including investment in property, plant and equipment	-3,045	-5,018	-2,394	-3,154	-1,835
- financing activities	4,401	-10,729	1,729	-21,473	523
Change in cash and cash equivalents for the year	-6,975	-7,921	3,618	-13,194	16,009
Number of employees	95	77	53	46	39
Ratios					
Return on assets	22.9%	25.9%	3.2%	10.9%	9.7%
Solvency ratio	47.5%	46.9%	47.8%	41.1%	42.6%
Return on equity	33.7%	41.6%	14.9%	15.3%	12.0%

Management's Review

Key activities

The ICEpower Holding A/S consists of ICEpower A/S, Bolecano AB, and ICEpower America Inc. The majority of the Groups activities are carried out in ICEpower A/S.

ICEpower aspires "to become the preferred partner for outsourced product creation to the leaders of the audio industry".

Originally, ICEpower was focused on the supply of parts such as amplification modules and switch mode power supplies for the audio industry. Over the past 8 years, ICEpower has transformed into a developer and manufacturer of turnkey products (finished goods) and customized electronic solutions to the audio industry, including mechanics, software, analog, and digital hardware.

1.ICEpower serves the entire audio industry with audio products. The Audio Products are off-the-shelf products ready-made for implementation for all audio segments and all audio applications from consumer and automotive to professional use.

2.In addition, ICEpower focuses its turnkey business on 3 core application segments.

A.Home Automation audio equipment, including cinema rack amps,
B.Audio equipment for Commercial, Corporate and Educational installations
C.Audio equipment for PRO audio, incl. rack equipment and backplates for powered speakers for both touring and fixed installation.

This means that ICEpower is a project-focused company that also has a large portfolio of audio products for the wider market.

Turnkey solutions are products developed for a specific customer and include turnkey products, custom designs, and speaker backplates.

Audio products are off-the-shelf products and include amplifier power modules, audio integrated circuits (IC), and power supplies.

ICEpower capabilities include both "simple" products, where all interconnects are analog, as well as highly feature-rich digital products incorporating elements such as streaming audio and control over a network connection (e. g. Dante, Milan, or proprietary protocols), Advanced DSP, GUI Control, Hosted web servers and displays.

With 107 employees end of the year in the center of Copenhagen, Denmark, ICEpower has the largest number of power electronics engineers at one location in the world and is a global R&D center of excellence within audio electronics.

The mission of ICEpower is "through engineering excellence and close partnering, ICEpower offers customers the highest quality and performance audio products at the best price in the market".

Management's Review

ICEpower has been able to prove this concrete offer to turnkey customers for several years in which engineering excellence has proven better audio performance, improved sustainability, and competitive pricing compared to ICEpower's main competitors, the Electronic Manufacturing Suppliers (EMS) in Asia.

Development in the year

Despite the world-wide electronic component shortages, ICEpower managed to grow its revenue app. 37% (against an expectation of 41%) with an EBT result of 41,0 MDKK during the financial year of 2022/23 against an expectation of 45 MDKK. This is a satisfactory result. A higher revenue and profit would have been reached if all components had been available for our production.

The world market for electronics has been severely impacted by shortages of various kinds of electronic componentry during FY 222/23. The situation seems to have much improved during the last 3 months, however some components remain difficult to source.

During 2022/23 ICEpower continued to win several new projects - all contracted in Development and Supply Agreements for the coming years. This means that provided sourcing of componentry will ease up a revenue growth of a similar size can be expected y-on-y during the coming years.

Today ICEpower is working on turnkey solutions for most of the customers that ICEpower strategically has decided to and wish to work for. ICEpower has won new assignments and contracts that eventually will result in a revenue > double of the FY 2022/23 revenue.

During FY 2022/23 ICEpower has continuously invested in improving our technological offerings, new audio products for the general audio market, new and improved services, new employees, and a general strengthening of our operational performance in close co-operation with our outsourced facilities in Thailand. Currently, ICEpower employes 123 employees.

Operating risks

The Group's revenue is primarily in USD and results in, the Group being sensitive to fluctuations in the USD exchange rate. This is partially met with currency hedging.

Targets and expectations for the year ahead

Despite the continued lack of certain components, and a continued impact on the Group's two Thailand-based outsourced manufacturing facilities, ICEpower expects a revenue growth around 25-30% and a considerable growth in EBIT for 2023/24.

The Group has a solid cash position to fund the Group's organic growth and operations through the financial year 2023/24 and beyond.

Management's Review

Sustainability - ICEpower's Environmental, Social and Governance practices

Towards a sustainable ICEpower

At ICEpower, we take great pride in our efforts toward a better environment and a sustainable business. And we want to do it the right way.

During the autumn and winter of FY 2021/22 ICEpower spent half a year with an external partner to conclude on how ICEpower scores within Environment and decide what efforts to focus on regarding environment and sustainability. During winter and spring, we continued with a similar effort together with a second external team of consultants to conclude how ICEpower scores within Social and Economic impacts and decide on the way forward.

Today we feel better equipped than ever to deal with sustainability both in relation to ICEpower specifically but also in relation to general manufacturing of and use of audio electronics in the world market.

Each employee plays a unique and necessary role in our company. We operate globally and want to establish and nurture relationships across cultures, languages, and ethnicities. We believe that employees spending a large part of their life working for our company are to be treated with respect and dignity.

Providing proper working conditions is a key area for the company to aim its focus. When ICEpower cares for the people, the people care for their job. They are motivated to perform the best they can. This is beneficial for the employee, for the company and for the customers.

Management's Review

Basic Principles towards a sustainable ICEpower

In Q2, 2022, we introduced The Corporate Social responsibility (CSR) of ICEpower A/S. We demonstrate how ICEpower takes responsibility for contributing while managing adverse impacts on internationally agreed principles for sustainable social, environmental, and economic development, as well as how ICEpower seeks to ensure that our business relationships act responsibly.

ICEpower's commitment to sustainability is based on the internationally agreed core principles for sustainable development; human rights (including labor rights), environment (including climate), and anti-corruption. The principles are listed by the UN Global Compact and made operational through the UN Guiding Principles on Business and Human rights (UNGPs) and the OECD Guidelines for Multinational Enterprises (OECD).

ICEpower complies with regulations wherever we operate. Distinct from this, our commitment means that ICEpower, and its subsidiaries, continuously identify, prevent, or mitigate our risk of adverse impacts concerning the core principles. We communicate how we manage such impacts. Where we cause or contribute to adverse impacts, we will provide access to remedy. We will also seek to make a difference for sustainability, where ICEpower can make a difference.

This means that ICEpower has implemented and complies with the 2011 Management Standard Process by the UN Guiding Principles (UNGP/OECD) on Business and Human Rights and the OECD Guidelines for Multinational Enterprises (OECD).

ICEpower has created an ICEpower Policy Commitment covering social, environmental, and economic sustainability, including our first (2022) social, environmental, and economic impact assessment. Our Due Diligence on ICEpower is available on request.

•A Sustainability Policy (available on icepower.dk)
•A Business Relationships (RBR) Code of Conduct (CoC) (available on icepower.dk)
•A Code of Conduct for Employees (CoC) (available on icepower.dk)
•Established operational grievance mechanisms in ICEpower (incl. a whistle-blower system)
•A Three-Year Implementation Plan for Sustainability

ICEpower's Management System meets UNGPs three requirements:

•A Policy Commitment
•A Due Diligence (including Identification, Prevention/Mitigation, Accounting for (tracking – communicating))
•Way of remediation

These processes are in place at ICEpower, and ICEpower assumes, expects, and demands the same from all our business relationships (EU Non-financial Reporting Directive – new EU' Corporate Sustainability Reporting Directive').

Management’s Review

Responsibility in Business Relationships

It hereby follows that ICEpower requires all our business relationships (BR) to have adequate policies and processes in place, ensuring that they manage adverse impacts. ICEpower will, from time to time, check their processes (and latest Impact Assessments) incl.

•Policy Commitment
•Information on the handling of severe impacts
•Impact assessment – from where it is produced
•Information on their handling of Business Relationships.

According to The Foundational Principle 14, the responsibility applies to all enterprises regardless of their size, sector, operational context, ownership, and structure. The scale and complexity of how our relationships meet that responsibility varies according to these factors and with the severity of our business relationship's adverse human rights impacts.

Our minimum expectations towards our Business Relationships are, therefore (and in accordance with the UNGP), that our Business Relationships:

•Include their expectations of their Business Relationships in their Policy Commitment
•Adhere to and comply with UNGPs
•Assesses their contribution to adverse impacts (incl. making it available for ICEpower and others)
•Inform ICEpower (and others) on 'known' severe impacts that our Business Relationships cause or contribute to.

ICEpower expresses our expectations to all our Business Relationships in our Code of Conduct as well as in other kinds of direct inquiries.

We will assess selected Business Relationship's due diligence processes as well as collaborate with those on proper implementation.

Assessing Human Rights, Environment and Economic Impact

Regarding our policy commitment to Human Rights, Environment and Economic (Governance) Impact ICEpower complies with the 5 requirements:

1.Approved by Top Management (Board of Directors)
2.Informed by relevant and sufficient human rights expertise (QA)
3.The HuRi expectations are stipulated to all relevant stakeholders (incl. employees and BR)
4.Publicly available at icepower.dk
5.Embedded throughout our business

Acc. to Foundational Principle 15 ICEpower has, to meet our responsibility to respect human rights, policies, and processes appropriate to our size and circumstances, the following in place:

Management's Review

a)The ICEpower policy commitment is in place.

b)ICEpower has established a human rights due diligence process in which we identify, prevent, mitigate, and account for how we address our impacts on human rights; and

c)A process in which we enable remediation of any adverse human rights impact we cause or to which we contribute. We have not previously tracked and managed human rights / environment / corruption impacts (prior to 2022). Consequently, the first assessment will note all impacts as 'Potential' impacts, notwithstanding the fact that actual impacts may have occurred during the previous years. Actual adverse impacts will be noted for the future.

Risk Assessment

ICEpower's risk assessment is available on the www.icepoweraudio.com/sustainability/.

ICEpower has estimated 54 potential impact assessments against all 48 human rights and this constitutes a 100% complete human rights impact assessment for ICEpower a/s.

ICEpower a/s has identified a total of 19 impacts on 13 human rights whereof none are considered severe. Of the identified impacts, we have 19 potential and no actual impacts.

We found that we have no risk of impacts on 35 of the 48 human rights. Our actions to engage with potential affected stakeholders is also available on the www.icepoweraudio.com/sustainability/.

We have assessed adverse impacts that ICEpower a/s has or may have on each of the 16 economic areas. We focus our assessments on the more likely impacts, not all imaginable impacts.

ICEpower has evaluated all impact assessments against all 16 economic areas and this constitutes a 100% complete economic impact assessment for ICEpower a/s.

ICEpower a/s has identified a total of 4 impacts on 4 economic areas. Of the identified impacts, we have 4 potential and no actual impacts.

One of above 4 potential impacts addresses bribery and anti-corruption. ICEpower has four-eyes system (as part of accounting department) on all transactions and unusual variances in purchase prices or sales prices will be addressed. ICEpower also has a whistleblower system. Policies are also part of the employee handbook / Code of Conduct for employees.

We found that we have no risk of impacts on 12 of the 16 economic areas. Our actions to engage with potential impacts and potential affected stakeholders is available on the www.icepoweraudio.com/sustainability/.

Management's Review

ICEpower conducts a APV-assessment every second year (2H, 2021 and planning for 2H, 2023). During FY 22/23 we have completed tasks on APV-assessments from 2021.

The company has implemented a process and safety around chemistry and its storage. We have established procedures and security around usage of electrical power (to avoid fire and work accidents). We have worked to improve the acoustic environment in all offices.

During FY 22/23 ICEpower runs a Leadership Program for + 20 managers with the purpose of improving work-life balance, reducing stress, and establishing the best possible co-operation between employees. This Program also addresses diversity. ICEpower works actively to improve diversity among its employees as well as understanding different cultures values and approach to work and work life balance. The work force has app. 20% female employees.

Environment

ICEpower A/S was in the beginning of this century one of the first companies in the world to make efficient amplifiers and make these amplifiers available for the entire audio industry.

In its sense, the very idea behind Class D amplification and switch mode power supply technology and the idea by ICEpower has been and is - while producing ultimate quality sound experiences in a variety of audio products - to:

•Get rid of the heat (avoiding costly, bulky cooling systems) by reaching best-in-class efficiency while maintaining best-in-class audio performance with our proprietary Class D Technology, thereby reducing the power consumption in a home or a professional environment

•ICEpower is the only non-semiconductor company having developed our own Class D technology in silicon, e. g. microchips. This enables ICEpower:

•To make the smallest and lightest weight amplifiers and power supplies, thereby reducing the costs of transportation and use of energy to transport.

•To greatly reduce the number of components needed to manufacture an amplification board – compared to our peers. Again, less use of components means lightweight, less use of natural resources and less energy consumption at all steps in the supply and value chain.

Although Class D technology can be said to have contributed to more sustainability, we consider this evolution for granted today – state of the art. The audio industry still omits CO2 when manufacturing audio products and especially in use cases by humans no matter whether the use is only idle or playing.

Management's Review

The ICEpower CO_2 footprint

ICEpower has estimated our CO_2 emission footprint based on the Greenhouse Gas Protocol (GHGP). ICEpower has established reduction targets based on the Science-Based Targets initiative (SBTi). Based on ICEpower 2019, we have estimated a total of 22.469-ton CO_2 emissions. Scope 1 is estimated at app. 0,02% CO_2 emission. Scope 2 at app. 0,2% CO_2 emissions and thus Scope 3 at app. > 99% of total CO_2 emissions. Thus, details on our efforts within Scope 1 and 2 are covered in our Sustainability Business Conduct on our homepage.

Reducing The ICEpower CO_2 Footprint, Scope 3

In Scope 3 we distinguish between Upstream CO_2 emissions (manufacturing) and Downstream CO_2 emissions (use cases among the end-users). End-users are either private users/consumers or professional users (commercial installation or live sound).

ICEpower has calculated that Upstream constitutes app. 12% of our Scope 3 emissions while the sold products (Downstream - use cases) constitute 88%.

So, by far, the largest CO_2 emissions happen as soon as the products are switched on no matter whether we are talking 'play mode' or 'idle mode.

While ICEpower naturally is growing Y-on-Y, our absolute CO_2-emissions are growing simultaneously. ICEpower expects to triple our sales during the coming 3-4 years and thereby generate 3-4 times as much CO_2-emissions following our growth (upstream + downstream). Needless to say, and most importantly, the global world must switch to green energy to solve this vast challenge. Energy must be from renewable sources. Water usage must be environmentally responsible and socially equitable.

However, while much of the challenges concerning our environment and climate can be solved by energy from renewable sources; ICEpower is obliged to and feel a strong urge to improve on our Scope 3 emissions right now. In other words, simply waiting for sustainable energy to become available is not responsible.

A Two Step Approach

ICEpower finds that the power consumption of the products can be reduced by:
1. Design - without significant material cost increase
2. Material selection – with a not insignificant cost increase
3. A combination of the above

From April 2022, ICEpower has decided to work with the above two / three steps to reduce Scope 3 emissions. In accordance with the SBTi, SMEs are obliged to measure (screening) and reduce Scope 3 in relative terms. So, while ICEpower expects a large growth during the coming 3-5 years, we also expect our Scope 3 emissions to grow in absolute numbers.

Management's Review

In relative terms we can improve going forward concerning all new (1) Audio Products (predominantly amplifiers and power supplies) and (2) Turnkey Solutions (predominantly finished goods products for specific, named audio customers) designed, developed, and manufactured by ICEpower.

Step 1

As a first step ICEpower has initiated technical design solutions that will impact and reduce power consumption for products in development. The key objective is to balance design effort, cost, and actual reductions. The effort solely driven by ICEpower will need to be neutral toward the customers. This will typically fall into the 1st category – Design.

Step 2

As a second step, ICEpower has decided, starting April 2022 to offer all our Turnkey Solution customers a choice upfront in terms of reduced power consumption as an effect of using premium materials (2nd category).

For each specific product, ICEpower will initiate a discussion with the specific customer (the product owner) to propose the customer more sustainable product solutions.

These discussions take place during the proposal phase, where the concrete product is estimated with alternatives toward power consumption reduction and the related cost hereof.

By selecting state-of-the-art materials, ICEpower can significantly reduce power consumption. In some cases, this comes with a higher cost than the current market level. So, if ICEpower still wants to be competitive in the segments where ICEpower plays a role, the customer will need to accept a higher product cost – for the benefit of a reduced CO_2 footprint.

We hope that numerous competitive benefits for our customers can come into play by putting sustainable products into the market.

When new products are being manufactured in 2022 and in the coming years, ICEpower will measure and estimate the results and make the relevant comparisons to measure and make publicly available the relative CO_2 emission improvements according to SBTi.

Foreign Branches

Through subsidiaries, branches etc. the Group is represented in Sweden, Spain, USA, and Japan.

Management's Review

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position at 31 May 2023 of the Group and the results of the activities and cash flows of the Group for the financial year for 2022/23 have not been affected by any unusual events.

Income Statement 1 June - 31 May

	Note	Group 2022/23	Group 2021/22	Parent Company 2022/23	Parent Company 2021/22
		kDKK	kDKK	kDKK	kDKK
Gross profit/loss		**137,723**	**116,750**	**-2,265**	**350**
Staff expenses	1	-62,806	-52,109	0	0
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-24,063	-25,335	0	0
Profit/loss before financial income and expenses	3	**50,854**	**39,306**	**-2,265**	**350**
Income from investments in subsidiaries	4	0	0	32,043	27,070
Financial income	5	1,426	1,172	0	0
Financial expenses	6	-14,241	-7,472	-4	-7
Profit/loss before tax		**38,039**	**33,006**	**29,774**	**27,413**
Tax on profit/loss for the year	7	-8,261	-5,902	4	-309
Net profit/loss for the year		**29,778**	**27,104**	**29,778**	**27,104**

Balance Sheet 31 May

Assets

	Note	Group 2023	Group 2022	Parent Company 2023	Parent Company 2022
		kDKK	kDKK	kDKK	kDKK
Completed development projects		50,290	26,340	0	0
Acquired software		509	704	0	0
Acquired license agreements		0	603	0	0
Acquired rights		0	0	0	0
Goodwill		0	133	0	0
Development projects in progress		55,872	54,454	0	0
Intangible assets	8	**106,671**	**82,234**	**0**	**0**
Plant and machinery		5,073	5,295	0	0
Other equipment		1,562	1,197	0	0
Leasehold improvements		2,875	3,238	0	0
Property, plant and equipment	9	**9,510**	**9,730**	**0**	**0**
Investments in subsidiaries	10	0	0	106,515	70,241
Deposits	11	1,004	918	0	0
Fixed asset investments		**1,004**	**918**	**106,515**	**70,241**
Fixed assets		**117,185**	**92,882**	**106,515**	**70,241**
Inventories		**27,833**	**7,279**	**0**	**0**
Trade receivables		71,376	38,985	0	0
Receivables from group enterprises		0	0	2,623	2,923
Other receivables		1,338	2,264	0	0
Deferred tax asset	15	4	0	4	0
Corporation tax		0	260	0	0
Prepayments	12	2,502	1,583	0	0
Receivables		**75,220**	**43,092**	**2,627**	**2,923**
Cash at bank and in hand		**1,706**	**8,681**	**1,279**	**685**
Currents assets		**104,759**	**59,052**	**3,906**	**3,608**
Assets		**221,944**	**151,934**	**110,421**	**73,849**

Balance Sheet 31 May

Liabilities and equity

		Group		Parent Company	
	Note	2023	2022	2023	2022
		kDKK	kDKK	kDKK	kDKK
Share capital	13	1,130	1,130	1,130	1,130
Reserve for net revaluation under the equity method		0	0	72,045	35,771
Reserve for hedging transactions		-739	-4,971	0	0
Retained earnings		104,947	75,170	32,163	34,428
Equity		**105,338**	**71,329**	**105,338**	**71,329**
Provision for deferred tax	15	22,988	16,487	0	0
Other provisions	16	500	1,641	0	0
Provisions		**23,488**	**18,128**	**0**	**0**
Corporation tax		2,775	0	0	0
Other payables		2,657	2,977	0	0
Long-term debt	17	**5,432**	**2,977**	**0**	**0**
Credit institutions		4,401	0	0	0
Prepayments received from customers		0	1,200	0	0
Trade payables		73,936	44,057	253	19
Payables to group enterprises		0	0	2,403	0
Corporation tax	17	55	0	397	98
Payables to group enterprises relating to corporation tax		0	0	0	2,403
Deposits		684	576	0	0
Other payables	17	8,610	13,667	2,030	0
Short-term debt		**87,686**	**59,500**	**5,083**	**2,520**
Debt		**93,118**	**62,477**	**5,083**	**2,520**
Liabilities and equity		**221,944**	**151,934**	**110,421**	**73,849**
Distribution of profit	14				
Contingent assets, liabilities and other financial obligations	20				
Accounting Policies	21				

Statement of Changes in Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Reserve for hedging transactions	Retained earnings	Total
	kDKK	kDKK	kDKK	kDKK	kDKK
Equity at 1 June	1,130	0	-4,971	75,170	71,329
Exchange adjustments relating to foreign entities	0	0	0	-2	-2
Fair value adjustment of hedging instruments, beginning of year	0	0	5,426	0	5,426
Fair value adjustment of hedging instruments, end of year	0	0	-1,194	0	-1,194
Net profit/loss for the year	0	0	0	29,779	29,779
Equity at 31 May	**1,130**	**0**	**-739**	**104,947**	**105,338**

Parent Company

	Share capital	Reserve for net revaluation under the equity method	Reserve for hedging transactions	Retained earnings	Total
Equity at 1 June	1,130	35,771	0	34,428	71,329
Exchange adjustments	0	-2	0	0	-2
Fair value adjustment of hedging instruments, end of year	0	4,233	0	0	4,233
Net profit/loss for the year	0	32,043	0	-2,265	29,778
Equity at 31 May	**1,130**	**72,045**	**0**	**32,163**	**105,338**

Cash Flow Statement 1 June - 31 May

	Note	Group 2022/23 kDKK	Group 2021/22 kDKK
Net profit/loss for the year		29,778	27,104
Adjustments	18	45,137	37,499
Change in working capital	19	-26,438	-16,822
Cash flows from operating activities before financial income and expenses		**48,477**	**47,781**
Financial income		1,426	1,173
Financial expenses		-14,238	-7,473
Cash flows from ordinary activities		**35,665**	**41,481**
Corporation tax received		1,326	1,923
Cash flows from operating activities		**36,991**	**43,404**
Purchase of intangible assets		-45,235	-35,549
Purchase of property, plant and equipment		-3,045	-5,018
Fixed asset investments made etc		-87	-29
Cash flows from investing activities		**-48,367**	**-40,596**
Raising of loans from credit institutions		4,401	0
Repayment of payables to group enterprises		0	-1,729
Dividend paid		0	-9,000
Cash flows from financing activities		**4,401**	**-10,729**
Change in cash and cash equivalents		**-6,975**	**-7,921**
Cash and cash equivalents at 1 June		8,681	16,602
Cash and cash equivalents at 31 May		**1,706**	**8,681**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		1,706	8,681
Cash and cash equivalents at 31 May		**1,706**	**8,681**

Notes to the Financial Statements

	Group		Parent Company	
	2022/23	2021/22	2022/23	2021/22
	kDKK	kDKK	kDKK	kDKK
1 Staff expenses				
Wages and salaries	58,083	47,528	0	0
Pensions	4,031	3,635	0	0
Other social security expenses	692	946	0	0
	62,806	**52,109**	**0**	**0**
Including remuneration to the Executive Board and Board of Directors	**3,181**	**2,806**	**0**	**0**
Average number of employees	**95**	**77**	**0**	**0**

The incentive scheme offered to senior officers includes an option on new subscription, in the period from 2021 to 2024, of shares of up to 5% of the present share capital at a fixed price.

Incentive programmes are not recognised in the Financial Statements.

Notes to the Financial Statements

		Group		Parent Company	
		2022/23	2021/22	2022/23	2021/22
		kDKK	kDKK	kDKK	kDKK
2	**Depreciation, amortisation and impairment of intangible assets and property, plant and equipment**				
	Amortisation of intangible assets	20,797	19,772	0	0
	Depreciation of property, plant and equipment	3,266	2,548	0	0
	Impairment of intangible assets	0	3,015	0	0
		24,063	**25,335**	**0**	**0**
3	**Special items**				
	Revenue - sale of ICEsound	0	12,512	0	0
	Severance agreement, salaries	0	-500	0	0
	Impairment of development costs	0	-3,015	0	0
		0	**8,997**	**0**	**0**
4	**Income from investments in subsidiaries**				
	Share of profits of subsidiaries			32,686	28,404
	Amortisation of goodwill			-643	-1,334
				32,043	**27,070**
5	**Financial income**				
	Other financial income	1,426	1,172	0	0
		1,426	**1,172**	**0**	**0**

Notes to the Financial Statements

		Group		Parent Company	
		2022/23	2021/22	2022/23	2021/22
		kDKK	kDKK	kDKK	kDKK
6	**Financial expenses**				
	Other financial expenses	4,222	2,230	4	7
	Exchange adjustments, expenses	10,019	5,242	0	0
		14,241	**7,472**	**4**	**7**
7	**Tax on profit/loss for the year**				
	Current tax for the year	2,826	28	0	-230
	Deferred tax for the year	5,435	5,728	-4	393
	Adjustment of tax concerning previous years	0	146	0	146
		8,261	**5,902**	**-4**	**309**

Notes to the Financial Statements

8 Intangible assets

Group

	Completed development projects	Acquired software	Acquired license agreements	Acquired rights	Goodwill	Development projects in progress
	kDKK	kDKK	kDKK	kDKK	kDKK	kDKK
Cost at 1 June	164,114	3,662	6,027	1,533	1,315	54,454
Additions for the year	5,936	122	0	0	0	39,269
Transfers for the year	37,851	0	0	0	0	-37,851
Cost at 31 May	207,901	3,784	6,027	1,533	1,315	55,872
Impairment losses and amortisation at 1 June	137,774	2,958	5,424	1,533	1,182	0
Amortisation for the year	19,837	317	603	0	133	0
Impairment losses and amortisation at 31 May	157,611	3,275	6,027	1,533	1,315	0
Carrying amount at 31 May	**50,290**	**509**	**0**	**0**	**0**	**55,872**

The Group's development projects relate to development of new products, as well as continued development, improvements and upgrading of the Group's existing products.

The development, improvement and upgrading is completed on an ongoing basis and the projects are ready for use upon completion. The products form the basis of a large part of the Group's existing business, hence, there are markets and customers for the products. Projects in progress, consist of supplementary products as well as customer-specific products; hence, there is a market herefore.

The improvements and upgrades are expected to have lives of three to five years which are considered to reflect the useful lives.

The projects are progressing according to plan through the use of the resources allocated by Management to the development.

Notes to the Financial Statements

9 Property, plant and equipment

Group

	Plant and machinery	Other equipment	Leasehold improvements	Total
	kDKK	kDKK	kDKK	kDKK
Cost at 1 June	14,199	7,732	5,398	27,329
Additions for the year	1,656	809	581	3,046
Cost at 31 May	15,855	8,541	5,979	30,375
Impairment losses and depreciation at 1 June	8,904	6,535	2,160	17,599
Depreciation for the year	1,878	444	944	3,266
Impairment losses and depreciation at 31 May	10,782	6,979	3,104	20,865
Carrying amount at 31 May	**5,073**	**1,562**	**2,875**	**9,510**

Notes to the Financial Statements

	Parent Company	
	2023	2022
	kDKK	kDKK
10 Investments in subsidiaries		
Cost at 1 June	34,470	34,470
Cost at 31 May	34,470	34,470
Value adjustments at 1 June	35,771	23,464
Exchange adjustment	-2	-39
Net profit/loss for the year	32,686	28,404
Dividend to the Parent Company	0	-9,160
Fair value adjustment of hedging instruments for the year	4,233	-5,564
Amortisation of goodwill	-643	-1,334
Value adjustments at 31 May	72,045	35,771
Carrying amount at 31 May	**106,515**	**70,241**
Positive differences arising on initial measurement of subsidiaries at net asset value	0	7,842
Negative differences arising on initial measurement of subsidiaries at net asset value	0	603

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
ICEpower A/S	Søborg, Denmark	DKK 1.940k	100%
Bolecano Holding AB	Helsingborg, Sverige	SEK 100k	100%

Notes to the Financial Statements

11 Other fixed asset investments

	Group
	Deposits
	kDKK
Cost at 1 June	918
Additions for the year	86
Cost at 31 May	1,004
Carrying amount at 31 May	**1,004**

12 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

13 Equity

The share capital is broken down as follow:

	Number	Nominal value
		kDKK
A-shares	872,000	872
B-shares	109,000	218
C-shares	148,636	149
		1,239

14 Distribution of profit

	Parent Company	
	2022/23	2021/22
	kDKK	kDKK
Reserve for net revaluation under the equity method	32,043	26,400
Retained earnings	-2,265	704
	29,778	**27,104**

Notes to the Financial Statements

15 Provision for deferred tax

	Group		Parent Company	
	2023	2022	2023	2022
	kDKK	kDKK	kDKK	kDKK
Provision for deferred tax at 1 June	16,487	12,023	0	-393
Amounts recognised in the income statement for the year	5,435	5,728	4	310
Amounts recognised in equity for the year	1,062	-1,264	0	83
Provision for deferred tax at 31 May	**22,984**	**16,487**	**4**	**0**

The tax asset relates to timing of deductible costs.

16 Other provisions

	Group		Parent Company	
	2023	2022	2023	2022
	kDKK	kDKK	kDKK	kDKK
Other provisions	500	1,641	0	0
	500	**1,641**	**0**	**0**

The Company provides warranties of 1 to 5 years on some of its products and is therefore obliged to repair or replace goods which are not satisfactory. Based on previous experience in respect of the level of repairs and returns, other provisions of DKK 500k (2022: DKK 500k) have been recognised for expected warranty claims.

Notes to the Financial Statements

17 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group		Parent Company	
	2023	2022	2023	2022
	kDKK	kDKK	kDKK	kDKK
Corporation tax				
Between 1 and 5 years	2,775	0	0	0
Long-term part	2,775	0	0	0
Short-term part	55	0	397	98
	2,830	**0**	**397**	**98**
Other payables				
Between 1 and 5 years	2,657	2,977	0	0
Long-term part	2,657	2,977	0	0
Other short-term payables	8,610	13,756	2,030	0
	11,267	**16,733**	**2,030**	**0**

Settlement of the amount payable is subject to financial developments in the subsidiary.

18 Cash flow statement - adjustments

	Group	
	2022/23	2021/22
	kDKK	kDKK
Financial income	-1,426	-1,172
Financial expenses	14,241	7,472
Depreciation, amortisation and impairment losses, including losses and gains on sales	24,063	25,336
Tax on profit/loss for the year	8,261	5,902
Other adjustments	-2	-39
	45,137	**37,499**

Notes to the Financial Statements

		Group	
		2022/23	2021/22
		kDKK	kDKK
19	**Cash flow statement - change in working capital**		
	Change in inventories	-20,555	-1,342
	Change in receivables	-32,385	-21,954
	Change in other provisions	-1,141	-1,073
	Change in trade payables, etc	23,411	7,547
	Fair value adjustments of hedging instruments	4,232	0
		-26,438	**-16,822**

20 Contingent assets, liabilities and other financial obligations

	Group		Parent Company	
	2023	2022	2023	2022
	kDKK	kDKK	kDKK	kDKK
Rental and lease obligations				
Lease obligations under operating leases. Total future lease payments:				
	1,956	1,958	0	0
	0	1,786	0	0
	1,956	**3,744**	**0**	**0**

Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

For assurance of all accounts with Financial institute, credit facility totalling DKK 15,000k, are given floating charge in all assets except accounts receivables.
Financial institutes are given floating charge in accounts receivables totalling DKK 36,500k.

Inventory totalling DKK 19,593k at external partner will be subject to a lien for any unpaid charges and advances.

The Parent Company's shares in ICEpower A/S are collateral for all accounts with ICEpower A/S' financial institutes.

At 31 May 2023 ICEpower A/S has a negative pledge regarding receivables, which have been factored.

ICEpower Holding ApS have given surety towards Group enterprise.

There are no further security and contingent liabilitites at 31 May 2023, other than what is normal in the line of business.

Notes to the Financial Statements

21 Accounting Policies

The Annual Report of ICEpower Holding ApS for 2022/23 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2022/23 are presented in kDKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, ICEpower Holding ApS, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Notes to the Financial Statements

21 Accounting Policies (continued)

Business combinations

Acquisitions of subsidiaries are accounted for using the purchase method under which the identifiable assets and liabilities of the entity acquired are measured at fair value at the time of acquisition. Acquired contingent liabilities are recognised at fair value in the Consolidated Financial Statements to the extent that the value can be measured reliably.

The time of acquisition is the time when the Group obtains control of the entity acquired.

The cost of the entity acquired is the fair value of the consideration agreed, including consideration contingent on future events. Transaction costs directly attributable to the acquisition of subsidiaries are recognised in the income statement as incurred.

Positive differences between the cost of the entity acquired and identifiable assets and liabilities are recognised as goodwill in intangible assets in the balance sheet and are amortised in the income statement on a straight-line basis over their estimated useful lives. Amortisation of goodwill is allocated in the Consolidated Financial Statements to the operations to which goodwill is related. Where the differences are negative, they are recognised immediately in the income statement.

Where the purchase price allocation is not final, positive and negative differences from acquired subsidiaries due to changes to the recognition and measurement of identifiable net assets may be adjusted for up to 12 months after the time of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

Where cost includes contingent consideration, this is measured at fair value at the time of acquisition. Contingent consideration is subsequently measured at fair value. Any value adjustments are recognised in the income statement.

In respect of step acquisitions, any previously held investments in the entity acquired are remeasured at fair value at the time of acquisition. The difference between the carrying amount of the investment previously held and the fair value is recognised in the income statement.

Subject to some exemptions, acquisitions carried through before 1 July 2018 are accounted for under the same accounting policies as those applying to business combinations carried through on or after 1 July 2018. The most material exemptions are:

- Identifiable assets and liabilities of the entity acquired are recognised only if they are probable.
- Identifiable contingent liabilities of the entity acquired are not recognised in the consolidated balance sheet.
- Where the purchase price allocation is not final, positive and negative differences due to changes to

Notes to the Financial Statements

21 Accounting Policies (continued)

the recognition and measurement of the acquired net assets may be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

- Transaction costs directly attributable to the acquisition of subsidiaries are included as part of cost.
- After the initial recognition, adjustment of contingent consideration is recognised directly with its counter entry in initial purchase price, thus correcting the value of goodwill or negative goodwill.
- In respect of step acquisitions, the carrying amount of the existing investments is recognised in cost.

Notes to the Financial Statements

21 Accounting Policies (continued)

Leases

All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in a reserve hereto under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Notes to the Financial Statements

21 Accounting Policies (continued)

Incentive schemes

The value of share-based payment, including share option and warrant plans that do not involve an outflow of cash and cash equivalents, offered to the Executive Board and a number of senior employees is not recognised in the income statement. The most significant conditions of the share option plans are disclosed in the notes.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Revenue from license and royalty agreements is recognised as risks and rewards transfer during the course of the underlying agreement.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise administration costs as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, work on own account recognised in assets, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Notes to the Financial Statements

21 Accounting Policies (continued)

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses, realised and unrealised exchange adjustments as well as extra payments and repayment under the on account taxation scheme.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Development projects, patents, software, acqured rights and licence

Costs of development projects comprise salaries and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the Group can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Notes to the Financial Statements

21 Accounting Policies (continued)

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 3-6 years.

Development projects, patents, software, acqured rights and licence are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Patents are amortised over the remaining patent period or a shorter useful life. The amortisation period is 5 years. Software licences are amortised over the period of the agreement, however not exceeding 5 years.

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life of 5 years. determined on the basis of Management's experience with the individual business areas.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Plant and machinery	3 - 10 years
Other equipment	8 - 10 years
Leasehold improvements	3 - 10 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Notes to the Financial Statements

21 Accounting Policies (continued)

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item"Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of deposits.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

Notes to the Financial Statements

21 Accounting Policies (continued)

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Notes to the Financial Statements

21 Accounting Policies (continued)

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Other payables

Other payables comprises payments received in respect of income in subsequent years.

Cash Flow Statement

The cash flow statement shows the Group´s cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group´s cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise ”Cash at bank and in hand”.

The cash flow statement cannot be immediately derived from the published financial records.

Notes to the Financial Statements

21 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$