Billund Aquaculture Holding A/S

Montanavej 2, DK-7190 Billund

Annual Report for 2022

CVR No. 38 54 12 42

The Annual Report was presented and adopted at the Annual General Meeting of the company on 26/6 2023

Chairman of the general meeting

Contents

Management's statement

The Executive Board and Board of Directors have today considered and adopted the Consolidated Financial Statements and Parent Company Financial Statements of Billund Aquaculture Holding A/S for the financial year 1 January - 31 December 2022.

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 December 2022 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2022.

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

We recommend that the Consolidated Financial Statements and Parent Company Financial Statements be adopted at the Annual General Meeting.

Billund, 26 June 2023

Executive Board

Christian Stensgård Sørensen

Board of Directors

Pål Øyvind Berg Chairman	Christian Stensgård Sørensen	Mattis Sørensen
Jon Refsnes	Jo-Kristian Rasmussen	

Independent Auditor's report

To the shareholder of Billund Aquaculture Holding A/S

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 December 2022 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Billund Aquaculture Holding A/S for the financial year 1 January - 31 December 2022, 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 Financial 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.

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 Parent 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 Parent 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 Group´s and the Parent Company´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 Group´s and the Parent 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 Parent 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.

Independent Auditor's report

Trekantområdet, 26 June 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jan Bunk Harbo Larsen
State Authorised Public Accountant
mne30224

Morten Jacobsen
State Authorised Public Accountant
mne44140

Company information

The Company	Billund Aquaculture Holding A/S Montanavej 2 DK-7190 Billund CVR No: 38 54 12 42 Financial period: 1 January - 31 December Municipality of reg. office: Billund
Board of Directors	Pål Øyvind Berg, chairman Christian Stensgård Sørensen Mattis Sørensen Jon Refsnes Jo-Kristian Rasmussen
Executive Board	Christian Stensgård Sørensen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Herredsvej 32 7100 Vejle

Financial Highlights

Seen over a 5-year period, the development of the Group is described by the following financial highlights:

	Group				
	2022	2021	2020	2019	2018
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	228,674	515,000	408,034	435,518	456,445
Gross profit/loss	28,708	150,433	117,087	77,217	80,036
Profit/loss of ordinary primary operations	-116,368	9,726	-2,618	-17,565	12,042
Profit/loss of financial income and expenses	278	-4,621	-2,778	-1,431	-2,285
Net profit/loss	-97,262	-1,508	-18,682	-14,594	8,006
Balance sheet					
Balance sheet total	152,346	258,168	272,327	190,787	165,324
Investment in property, plant and equipment	3,105	4,606	5,095	8,422	6,628
Equity	39,060	115,945	75,049	53,247	67,845
Cash flows					
Cash flows from:					
- operating activities	6,423	-27,831	-64,505	25,003	19,829
- investing activities	11,058	-5,620	-13,157	-48,772	-10,420
- financing activities	-5,801	24,524	81,476	15,743	-6,628
Change in cash and cash equivalents for the year	11,680	-8,927	3,814	-8,026	13,729
Ratios					
Gross margin	12.6%	29.2%	28.7%	17.7%	17.5%
Profit margin	-44.9%	1.2%	-3.6%	-3.9%	2.7%
Return on assets	-67.4%	2.4%	-5.4%	-8.9%	7.4%
Solvency ratio	25.6%	44.9%	27.6%	27.9%	41.0%
Return on equity	-125.5%	-1.6%	-29.1%	-24.1%	12.5%

Management's Review

Key Activities

The main activity of Billund Aquaculture Holding A/S and the Group is to operate as a holding company as well as to design, manufacture, install and service intensive land-based recirculating aquaculture systems through subsidiaries.

The Group specializes in recirculating aquaculture systems using a minimum of resources per output unit at all operational process stages. There is also a strong focus on the systems using the minimum of electricity and water, as well as causing minimal pollution.

The upshot of this is the application of, e.g., the newest and most energy-efficient technologies for pumping and purification as well as for the filtration of sludge and polluted water to produce optimized fertilizer.

In Recirculating Aquaculture Systems (RAS), the water is purified and reused, which means that the water consumption per kilo fish produced may, in some cases, be reduced to less than one per cent of the amount used in conventional aquaculture systems.

The overall goal is that recirculating aquaculture systems produced by the Group will be synonymous with sustainable fish farming.

Development in the year

The income statement of the Group for 2022 shows a deficit of TDKK -97,262. The balance sheet of the Group on 31 December 2022 shows a balance of TDKK 152,346 and equity of TDKK 39,060.

The past year and follow-up on development expectations from last year

In 2022, the capital resources of the Group were strengthened by the sale of its subsidiary in Norway and shareholder contribution in connection with a change in the owner structure. The change in the owner structure includes that Billund Aquaculture Holding AS, currently holds 447.453 of its own shares.

The projects of the Group include the more traditional RAS for Smolt and Post-Smolt with a tendency towards larger and more advanced systems. This is i.e. because the fish stay longer in the land based systems, where they grow bigger in controlled environments and thus their remaining growth period in the ocean is reduced, which contributes to reduced exposure to biological hazards in marine environments and, thus, increased productivity.

The projects of The Group also include the newer RAS for Grow-Out where the fish stay in land-based systems until they reach slaughter size. Arguments for Grow-Out are, among others, enhanced fish welfare and enhanced sustainability due to lower impact on surrounding environment. Placement of Grow-Out systems focuses on reduced transport and carbon dioxide emissions, and nearness to consumers.

Other than design, production and installation, customers of the Group are offered service and maintenance, biological and technical support, as well as training and education.

The market for Post-Smolt and Grow-Out systems is in strong growth and is expected to strengthen further in coming years. We are experiencing massive demand for this technology. Our global market leading position is retained by innovation and of the newest technologies for these particular systems.

The Group established significant know-how together with focus on developing new technologies and solutions. The established know-how, together with local presence in the significant salmon producing countries and long-lasting customer relations, gives a good foundation for long-term growth.

Management's Review

In 2022, there was a good influx of new orders and the volume of orders at year end was at a level ensuring the majority of the expected activity for 2023, and still with a portfolio of project under negotiation at various stages.

The Group 2022 accounts are significantly deviating from the expectations going into the year, which is caused by multiple factors.

The main contributor to the negative 2022 result has been significant reductions from the expected to the realized contributions margin on a number of projects being finalized during 2022. These are projects that were entered into prior to COVID19 and the war in Ukraine, and which significantly was impacted by external factors such as COVID19, inflation and high volatility in project cost input.

The Group has experienced a lower than expected turnover, as several projects in 2022 were postponed as a consequence of significant macro uncertainties, especially relating to high inflation and extensive volatility in cost input to the industry.

During 2022 the Group sold out its subsidiary in Norway. The two independent companies will continue cooperating, and the Group will continue its independent activities in Norway. The updated Group hereby consist of Billund Aquaculture Holding and Billund Aquaculture AS incorporated in Denmark, Billund Aquaculture Chile S.A incorporated in Chile, Billund Aquaculture US Corp incorporated in US and Billund Aquaculture Australia Pty Ltd incorporated in Australia.

Foreign exchange risks

Due to foreign activities, profit, cash flows and equity are affected by exchange and interest rate developments for a number of currencies. Commercial exchange risks are systematically hedged by entering into forward exchange contracts for net positions in all key currencies in order to minimize exchange rate risks.

Targets and expectations for the year ahead

The Group is one of the world's leading suppliers of land-based aquaculture recirculating systems.

Due to an increasing consumption of fish and reduced catch of wild living fish, a sharply increasing level of activity in aquaculture worldwide is expected. Land-based breeding of fish is developing rapidly, and both the number of projects and the size of the projects is still increasing. Industry reports shows increasing rationale for land-based breeding of fish due to increasing costs and continuous challenges within traditional production and wild catch.

We continue to experience great interest in Billund Aquaculture RAS and a large sales and customer activity compared with the current contingent order backlog means that the conditions for the expected market growth in the coming year are present.

The expectations for the revenue in 2023 are in the range DKK 300-400 million and the result after taxes in the range negative DKK 3-7 million, incl. profit in subsidiaries.

Research and development

The Group is optimizing aquaculture systems on an ongoing basis, ensuring that the latest and most energy-efficient technology is applied. Unrelenting efforts are directed at developing the next generation of RAS, including the development of concepts and solutions that will distinguish Billund Aquaculture even further from our competitors.

An extensive development program was undertaken during the last years, with focus of the development, test and optimization of solutions and technologies to enhance and extend the market leading position of the Group on systems for Post-Smolt and Grow-Out (i.e. "large fish).

Optimization of current technologies and solutions, including development of energy and resource optimization and automation is still ongoing, and the Group continues certain investments activities in 2023.

External environment

The production of aquaculture systems does not impact negatively on the environment. Furthermore, substantial resources are allocated to ensuring that the operational processes of the aquaculture systems will have an absolutely minimal impact on the environment.

The Group gives high priority to compliance and continuous efforts are made to comply with legislation in the countries in which the Group operates.

Intellectual capital resources

The Group employs unskilled and skilled staff as well as academics with expert knowledge in the field of design, electronics, hydraulics, fish biology, water purification as well as the production and installation of aquaculture systems.

We are a market-leading player with a flat organizational structure, an international and informal environment in an exciting industry in colossal development.

Our dedicated employees are ambitious, competent and they strive to offer technological environmentally friendly and green solutions. We contribute actively to a sustainable world, for example, by supporting ten of the seventeen UN Sustainable Development Goals. In particular we support, goal: 2, 3, 4, 6, 8, 9 11, 13, 14, and 15.

Management’s Review

Statement of corporate social responsibility

Business model

Billund Aquaculture wants to support new, sustainable and efficient aquaculture and protein production through the development of innovative water recycling technologies and the best service and advice to our customers as well as develop projects that meet their needs and accompany them in every step as they grow.

Billund Aquaculture's values

- Solid

We are honest, reliable and have experience, which makes us a safe choice for our customers.

- Passionate

Our dedicated team is committed to delivering the best products and solutions.

- Visionary

We are creative, innovative and capable of developing future-oriented strategies for aquaculture.

The Group offers design, production, installation of intensive land-based fish farming facilities, and RAS facilities, based on recycling technology. In addition, agreements are offered on service and maintenance, biological and technological support as well as training and education.

The Group has built up considerable know-how, as well as a focus on developing new technologies and solutions. The accumulated know-how, together with a local presence in the most important salmon-industrial countries and long-term customer relationships, provides a good starting point for long-term growth.

Significant risks relating to corporate social responsibility

At least once a year, Billund Aquaculture assesses focus areas as regards the Company’s operations and growth potential. The assessment is comprised of i.e. a comparison of the likelihood and possible effect of a number of elements related to corporate social responsibility.

This year's assessment of identified conditions, as well as completed and planned activities can be summarized in the following:

Management's Review

Area	Identified conditions	2021 activities	2022 activities	2023 activities
Environment and climate	Existing and future legal requirements for energy efficiency and increased customer focus	Extend environment and climate policy As a result of Energy and Health Check, i.e. exchanged a gas forklift for an electric one.	Continued development of environmental and climate policies	Continued development of environmental and climate policies
Human Rights	Our assessment is: no significant risks as we operate in regulated markets where working conditions are regulated etc. Often, we are in close cooperation with customers and/or main contractor that also regulate local working environment, safety etc.	Prepare policy Supplier relations: prepare a code of conduct Analysis of UN Global Compact as well as a decision about joining	Formalizing/completion of existing policies Supplier relations: analysis of UN Global Compact including presentations of Code of Conduct is expected to be finished and implemented	Implementation of Supplier Code of Conduct with bigger suppliers.
Social conditions	See above in Human rights. In addition, there is continuous focus on compliance with local law and rules among others social security etc.	Prepare policy Work is ongoing for establishing and maintaining social security and compliance with country specific laws and regulations	Formalizing/completion of present policies	Formalizing/completion of present policies
Employee relations	Work environment, employee satisfaction thus attracting and retaining employees	Performance reviews are conducted in all companies in the Group. Well-being surveys are conducted in all companies in the Group Feedback reports from both the performance reviews and well-being surveys are followed up on a regular basis	Performance reviews and well-being surveys continue to be conducted and are followed up with feedback.	IT system with biweekly questionaries to monitor employee satisfaction has been implemented. Including whistle blower feature with reporting directly to HR. Focus will be to analyse employee feedback and take measures to improve employee satisfaction.
Anti-corruption	Our evaluation: No significant risks as we work in regulated markets	Prepare policy	Formalizing/Completion of existing policy	Implementation of Supplier Code of Conduct with all bigger suppliers.

Policies, activities and results

We update regularly our policies that support the most important areas as defined under material risks, i.e. Environment and climate and Employee relations.

Environment and climate

The efforts in the environment and climate area are essentially driven by our customers' demands for sustainable and efficient aquaculture through the development of innovative water recycling technologies, energy efficiency and reduced CO_2 footprint, which are continuously specified in the customers tender documentation on all projects.

We have a clear policy of offering the most energy efficient solution, and carrying out ongoing product development to ensure that our solutions reduce the use of resources as much as possible, i.e. in terms of the use of energy and oxygen.

We also offer solutions that recycle the resources in our facilities to the maximum, including water and waste substances.

As a result of these policies, we have during the year in the design phases been working with our clients to optimize the facility designs to ensure the most sustainable and energy efficient solutions. These are efforts that will continue both in current and future projects.

Employee relations

As far as employee relations are concerned, we have policies in a number of areas. The essence of the policies is reproduced in our employee handbook, which i.e. describes the handling of a number of conditions such as; Our Values, Recruitment, On-Boarding, 3-Month interview, Sick leave interviews, Employee-Development interviews, Social security etc.

We have a well-functioning work environment committee with management participation, and there is an agreed action plan with ongoing follow-up. Everything is targeted at a structured approach to employee relations to ensure that employees thrive in the workplace and can deliver good results. We work continuously to offer personnel good and flexible terms of employment, as well as the opportunity for personal and professional development.

To ensure a good dialogue with employees, an IT platform for biweekly questionaries and continues follow up has been implemented in Billund Aquaculture AS. An annual well-being survey is also conducted in the Group in order to follow the development on well-defined parameters. Comparatively the employee satisfaction in the Group is good, but efforts are put into further improvement.

So far we have not been able to measure specific results but find a god employee satisfaction in the measurements taken and we will continue to closely monitor the developments.

Anti-corruption and human rights

The Group conducts business in thoroughly regulated markets, where authorities control the business community's compliance with legislation, and where the social partners agree on working conditions, including in relation to human rights.

Even though the Group's activities are not exercised in high-risk areas, the Group is implementing a Supplier Code of Conduct, to ensure that suppliers certify that their activities are compliant with UN human rights regulation and anti-corruption measures are taken.

The Group believes that it will generally have a positive effect and increase awareness of Anti-corruption and human rights down the value chains when end user present written requirements and specify its requirements to suppliers.

Statement on gender composition

Target figures for the Board of Directors

The current Board of Directors of the Group elected by the General Meeting consists of five members and all members are men. The Group has set a target of 20% female members to be elected to the Board of Directors by 2026.

The Group did not meet last years target for the year 2022 as the Group had a change in the ownership and all new owners appointed members were men.

Target figures for other management levels

The BA Group policy comprises all companies in the Group, and the target is to increase the share of the underrepresented gender at all management levels of the Group. The Group has set a target for the share of the underrepresented gender to constitute minimum 40%. Said policy is pursued through focus on diversity when internal promoting and new hires. The Groups policy on the gender composition is that for all new positions, the best-qualified candidate is employed, but to the extent possible, candidates of both sexes are nominated.

Data Ethics

The technological development and focus on increasing digitalization hold large possibilities for growth and innovation.

Technology is taking up more and more space and the introduction of new services places demands on the readiness for change and responsibility of the organization.

The Group has, therefore, agreed on overarching principles for ethical handling of data. The policy supplements our general responsibilities to integrate and comply with the applicable laws, including the General Data Protection Regulation (GDPR) and the Data Protection Law.

The policy applies to all categories of data and specifies that all handling of data shall following the ethical principals outlined below:

<u>Safety</u>

We maintain a high level of IT-security in order to protect confidential information, know-how and personnel data processed in the Group against unauthorized access and use.

<u>Quality</u>

We maintain a high level of data quality. This applies to all data, including the data on which we base our decisions, the data that we publish and upon which the authorities, the customers, the investors and other stakeholders are dependent.

Transparency

We are transparent to individuals about the personnel data we collect on them, how we use it and with whom we share it.

Respect

We respect confidential information, know-how, and trade secrets belonging to customers, partners, suppliers, etc. and use them only to the extent that the use is permitted and approved. We respect data protection rights and the integrity and confidentiality of personnel data.

Uncertainty relating to recognition and measurement

There is no unusual uncertainty with recognition and measurement in the annual report.

Unusual events

The Group's assets, liabilities and financial position as of 31 December 2022 as well as the result of the group's activities and cash flows for 2022 have been affected by unusual circumstances. The financial statements of the Group are affected by both indirect and direct Covid-19-related costs, inflation and high volatility in project cost as a consequence of the war in Ukraine.

Subsequent events

No events have occurred after the end of the financial year that could significantly disrupt the financial position of the Group.

Income statement 1 January - 31 December

		Group		Parent company	
	Note	2022	2021	2022	2021
		TDKK	TDKK	TDKK	TDKK
Revenue	2	228,674	515,000	0	0
Other operating income	3	17,236	0	0	0
Expenses for raw materials and consumables		-174,431	-324,435	0	0
Other external expenses		-42,771	-40,132	-21	-37
Gross profit		**28,708**	**150,433**	**-21**	**-37**
Staff expenses	4	-117,738	-130,773	0	0
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	5	-10,102	-9,934	0	0
Other operating expenses		-3,542	-3,592	0	0
Profit/loss before financial income and expenses		**-102,674**	**6,134**	**-21**	**-37**
Income from investments in subsidiaries	6	0	0	-91,228	-1,795
Financial income	7	1,930	582	594	272
Financial expenses	8	-1,652	-5,203	-3	0
Profit/loss before tax		**-102,396**	**1,513**	**-90,658**	**-1,560**
Tax on profit/loss for the year	9	7,231	-3,021	0	-110
Result of continuing activities		**-95,165**	**-1,508**	**-90,658**	**-1,670**
Discontinuing activities	11	-2,097	0	0	0
Net profit/loss for the year	10	**-97,262**	**-1,508**	**-90,658**	**-1,670**

Balance sheet 31 December

Assets

		Group		Parent company	
	Note	2022	2021	2022	2021
		TDKK	TDKK	TDKK	TDKK
Completed development projects		35,918	35,336	0	0
Goodwill		1,609	2,249	0	0
Development projects in progress		2,149	8,886	0	0
Intangible assets	12	**39,676**	**46,471**	**0**	**0**
Land and buildings		3,143	3,472	0	0
Other fixtures and fittings, tools and equipment		10,727	12,230	0	0
Property, plant and equipment	13	**13,870**	**15,702**	**0**	**0**
Investments in subsidiaries	14	0	0	61,089	104,150
Other receivables		1,754	2,104	0	0
Fixed asset investments		**1,754**	**2,104**	**61,089**	**104,150**
Fixed assets		**55,300**	**64,277**	**61,089**	**104,150**
Raw materials and consumables		18,921	28,016	0	0
Inventories		**18,921**	**28,016**	**0**	**0**

Balance sheet 31 December

Assets

	Note	Group 2022 TDKK	Group 2021 TDKK	Parent company 2022 TDKK	Parent company 2021 TDKK
Trade receivables		21,656	52,993	0	0
Contract work in progress	15	34,038	99,803	0	0
Receivables from group enterprises		0	0	0	7,548
Other receivables		4,730	5,750	0	0
Corporation tax		812	2,048	0	0
Prepayments		2,565	2,989	0	0
Receivables		**63,801**	**163,583**	**0**	**7,548**
Cash at bank and in hand		**14,324**	**2,292**	**490**	**73**
Current assets		**97,046**	**193,891**	**490**	**7,621**
Assets		**152,346**	**258,168**	**61,579**	**111,771**

Balance sheet 31 December

Liabilities and equity

	Note	Group 2022	Group 2021	Parent company 2022	Parent company 2021
		TDKK	TDKK	TDKK	TDKK
Share capital		1,755	1,755	1,755	1,755
Reserve for development costs		29,693	34,696	0	0
Reserve for hedging transactions		1,478	0	0	0
Reserve for exchange rate conversion		-1,954	-4,270	0	0
Retained earnings		10,585	79,488	39,802	109,914
Equity attributable to shareholders of the Parent Company		**41,557**	**111,669**	**41,557**	**111,669**
Minority interests		-2,497	4,276	0	0
Equity		**39,060**	**115,945**	**41,557**	**111,669**
Provision for deferred tax	16	0	8,768	0	0
Other provisions	17	6,743	6,719	0	0
Provisions		**6,743**	**15,487**	**0**	**0**
Lease obligations		3,679	4,321	0	0
Other payables		373	934	0	0
Long-term debt	18	**4,052**	**5,255**	**0**	**0**

Balance sheet 31 December

Liabilities and equity

	Note	Group 2022 TDKK	Group 2021 TDKK	Parent company 2022 TDKK	Parent company 2021 TDKK
Credit institutions		5,073	49,871	0	0
Lease obligations	18	1,045	823	0	0
Trade payables		29,909	37,349	0	23
Contract work in progress	15	23,651	6,376	0	0
Payables to owners and Management		0	312	0	0
Corporation tax		0	0	0	57
Other payables	18	42,813	26,750	20,022	22
Short-term debt		**102,491**	**121,481**	**20,022**	**102**
Debt		**106,543**	**126,736**	**20,022**	**102**
Liabilities and equity		**152,346**	**258,168**	**61,579**	**111,771**

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Statement of changes in equity

Group

	Share capital	Reserve for development costs	Reserve for hedging transactions	Reserve for exchange rate conversion	Retained earnings	Equity excl. minority interests	Minority interests	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	1,755	34,696	0	-4,270	79,488	111,669	4,276	115,945
Exchange adjustments	0	0	0	-1,939	0	-1,939	-103	-2,042
Contribution from group	0	0	0	0	19,498	19,498	0	19,498
Purchase of treasury shares	0	0	0	0	-23,619	-23,619	0	-23,619
Sale of treasury shares	0	0	0	0	21,000	21,000	0	21,000
Other equity movements	0	0	1,478	4,255	3,671	9,404	-66	9,338
Development costs for the year	0	-1,045	0	0	-2,753	0	0	-3,798
Depreciation, amortisation and impairment for the year	0	-3,958	0	0	3,958	0	0	0
Net profit/loss for the year	0	0	0	0	-90,658	-90,658	-6,604	-97,262
Equity at 31 December	**1,755**	**29,693**	**1,478**	**-1,954**	**10,585**	**41,557**	**-2,497**	**39,060**

Parent company

	Share capital	Reserve for development costs	Reserve for hedging transactions	Reserve for exchange rate conversion	Retained earnings	Equity excl. minority interests	Minority interests	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	1,755	0	0	0	109,914	111,669	0	111,669
Contribution from group	0	0	0	0	-502	-502	0	-502
Purchase of treasury shares	0	0	0	0	-22,500	-22,500	0	-22,500
Sale of treasury shares	0	0	0	0	21,000	21,000	0	21,000
Other equity movements	0	0	0	0	22,548	22,548	0	22,548
Net profit/loss for the year	0	0	0	0	-90,658	-90,658	0	-90,658
Equity at 31 December	**1,755**	**0**	**0**	**0**	**39,802**	**41,557**	**0**	**41,557**

Cash flow statement 1 January - 31 December

	Note	Group 2022 TDKK	Group 2021 TDKK
Result of the year		-97,262	-1,508
Adjustments	19	-15,160	14,776
Change in working capital	20	117,832	-34,762
Cash flow from operations before financial items		**5,410**	**-21,494**
Financial income		2,053	582
Financial expenses		-1,839	-5,202
Cash flows from ordinary activities		**5,624**	**-26,114**
Corporation tax paid		799	-1,717
Cash flows from operating activities		**6,423**	**-27,831**
Purchase of intangible assets		-4,056	-1,881
Purchase of property, plant and equipment		-2,616	-4,605
Business sale		17,730	866
Cash flows from investing activities		**11,058**	**-5,620**
Repayment of loans from credit institutions		-45,359	-20,117
Reduction of lease obligations		-420	-360
Raising of payables to group enterprises		22,595	0
Purchase of treasury shares		-1,117	0
Sale of treasury shares		18,500	0
Cash capital increase		0	45,001
Cash flows from financing activities		**-5,801**	**24,524**
Change in cash and cash equivalents		**11,680**	**-8,927**
Cash and cash equivalents at 1 January		2,292	11,219
Exchange adjustment of current asset investments		352	0
Cash and cash equivalents at 31 December		**14,324**	**2,292**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		14,324	2,292
Cash and cash equivalents at 31 December		**14,324**	**2,292**

Notes to the Financial Statements

1. Going concern

Management prepared a plan and a budget for 2023 that shows significant improvements of the result. The budget assumes that revenues will increase with an increasing margin. These assumptions are based on signed contracts with customers. The improvements compared to 2022 is partly driven by finalization of large low margin contracts affecting margins in 2022 negatively. Further, initiatives to reduce fixed costs are initiated.

Budgeted cash flows are based on critical assumptions, including a loan from existing owners. Further, and only if needed, existing owners are committed to inject additional capital needed in 2023. Both the loan and the commitment to inject additional capital are limited. Based on the 2023 budget management asses that the loan will ensure sufficient capital resources for the entity to continue as a going concern and the financial statements are prepared as such.

If materialized the inherent risk related to uncertainties in the budget may influence the entity's financial position.

2. Revenue

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
Geographical segments				
Europe	151,438	374,611	0	0
North America	3,106	8,320	0	0
South America	65,709	126,969	0	0
Oceania	1,935	1,149	0	0
Asia	6,486	3,951	0	0
	228,674	**515,000**	**0**	**0**

3. Other operating income

Other operating income includes gains from the sale of activities.

4. Staff Expenses

	Group 2022 TDKK	Group 2021 TDKK	Parent company 2022 TDKK	Parent company 2021 TDKK
Wages and salaries	103,484	111,214	0	0
Pensions	5,063	4,872	0	0
Other social security expenses	4,711	8,924	0	0
Other staff expenses	4,480	5,763	0	0
	117,738	**130,773**	**0**	**0**
Including remuneration to the Executive Board and Board of Directors	**1,310**	**1,208**		
Average number of employees	**255**	**300**	**0**	**0**

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

	Group 2022 TDKK	Group 2021 TDKK	Parent company 2022 TDKK	Parent company 2021 TDKK
Amortisation of intangible assets	5,694	5,740	0	0
Depreciation of property, plant and equipment	4,431	4,156	0	0
Gain and loss on disposal	-23	38	0	0
	10,102	**9,934**	**0**	**0**

6. Income from investments in subsidiaries

	Parent company 2022 TDKK	Parent company 2021 TDKK
Share of profits	-90,792	-1,359
Amortisation of goodwill	-436	-436
	-91,228	**-1,795**

Notes to the Financial Statements

7. Financial income

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
Interest received from group enterprises	0	0	594	272
Other financial income	325	582	0	0
Exchange gains	1,605	0	0	0
	1,930	**582**	**594**	**272**

8. Financial expenses

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
Other financial expenses	1,652	2,686	3	0
Exchange loss	0	2,517	0	0
	1,652	**5,203**	**3**	**0**

9. Income tax expense

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
Current tax for the year	585	0	0	110
Deferred tax for the year	-8,206	2,763	0	0
Adjustment of tax concerning previous years	390	258	0	0
	-7,231	**3,021**	**0**	**110**

10. Profit allocation

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
Minority interests' share of net profit/loss of subsidiaries	-6,604	164	0	0
Retained earnings	-90,658	-1,672	-90,658	-1,670
	-97,262	**-1,508**	**-90,658**	**-1,670**

11. Discontinuing activities

	Group		*Parent company*	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
Revenue	22,043	0	0	0
Expenses for raw materials and consumables	-9,011	0	0	0
Other external expenses	-1,503	0	0	0
Gross profit/loss	**11,529**	**0**	**0**	**0**
Staff expenses	-14,127	0	0	0
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	-20	0	0	0
Profit/loss before financial income and expenses	**-2,618**	**0**	**0**	**0**
Financial income	123	0	0	0
Financial expenses	-187	0	0	0
Profit/loss before tax	**-2,682**	**0**	**0**	**0**
Tax on profit/loss for the year	585	0	0	0
Net profit/loss for the year of discontinuing activities	**-2,097**	**0**	**0**	**0**
Cash flows from operating activities	-7,197			
Cash flows from investing activities	-548			
Cash flows from financing activities	7,658			
Cash flows relating to discontinuing activities	**-87**	**0**	**0**	**0**

12. Intangible fixed assets

Group

	Completed development projects	Goodwill	Develop-ment projects in progress
	TDKK	TDKK	TDKK
Cost at 1 January	46,507	6,399	8,886
Exchange adjustment	-5	0	-252
Additions for the year	5,656	0	4,041
Disposals for the year	-86	0	-10,526
Cost at 31 December	52,072	6,399	2,149
Impairment losses and amortisation at 1 January	11,171	4,150	0
Exchange adjustment	-5	0	0
Amortisation for the year	5,074	640	0
Impairment and amortisation of sold assets for the year	-86	0	0
Impairment losses and amortisation at 31 December	16,154	4,790	0
Carrying amount at 31 December	**35,918**	**1,609**	**2,149**
Amortised over	10 years	3-10 years	

Focus of the development projects was primarily to develop, test and optimize solutions and technologies to enhance and extend the group's market leading position on systems for post-smolt and Grow-Out (i.e. "large fish). Development projects include development and optimization of solutions and technologies. Development is partly in own test facilities and partly in cooperation with customers and educational institutions in connection with construction of RAS.

13. Property, plant and equipment

Group

	Land and buildings	Other fixtures and fittings, tools and equipment
	TDKK	TDKK
Cost at 1 January	3,874	30,334
Exchange adjustment	123	222
Additions for the year	128	2,977
Disposals for the year	-360	-952
Cost at 31 December	3,765	32,581
Impairment losses and depreciation at 1 January	402	18,104
Exchange adjustment	0	129
Depreciation for the year	220	4,211
Impairment and depreciation of sold assets for the year	0	-590
Impairment losses and depreciation at 31 December	622	21,854
Carrying amount at 31 December	**3,143**	**10,727**
Amortised over	3-10 years	3-10 years
Including assets under finance leases amounting to	2,600	2,714

	Parent company	
	2022	2021
	TDKK	TDKK

14. Investments in subsidiaries

	2022 TDKK	2021 TDKK
Cost at 1 January	131,516	87,382
Additions for the year	45,234	44,134
Cost at 31 December	176,750	131,516
Value adjustments at 1 January	-27,366	-22,363
Net profit/loss for the year	-86,338	-1,359
Other equity movements, net	-1,521	-3,208
Amortisation of goodwill	-436	-436
Value adjustments at 31 December	-115,661	-27,366
Carrying amount at 31 December	**61,089**	**104,150**
Remaining positive difference included in the above carrying amount at 31 December	727	1,163

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Ownership
Billund Aquaculture A/S	Billund	TDKK 13.034	98%
Billund Aquaculture Chile S.A.	Chile	TCLP 11.000	88%
Billund Aquaculture US Corp.	USA	TUSD 50	94%
Billund Aquaculture Australia Pty Ltd.	Australien	TAUD 100	83%

Notes to the Financial Statements

15. Contract work in progress

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
Selling price of work in progress	812,414	731,499	0	0
Payments received on account	-802,027	-638,072	0	0
	10,387	**93,427**	**0**	**0**
Recognised in the balance sheet as follows:				
Contract work in progress recognised in assets	34,038	99,803	0	0
Prepayments received recognised in debt	-23,651	-6,376	0	0
	10,387	**93,427**	**0**	**0**

16. Provision for deferred tax

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
Deferred tax liabilities at 1 January	8,768	6,106	0	0
Disposals for the year	-685			
Value adjustments at year end	123	-101		
Amounts recognised in the income statement for the year	-8,206	2,763	0	0
Deferred tax liabilities at 31 December	**0**	**8,768**	**0**	**0**

17. Other provisions

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
Warrenty provisions	6,743	6,719	0	0
	6,743	**6,719**	**0**	**0**

The provisions are expected to mature as follows:

Within 1 year	0	0	0	0
Between 1 and 5 years	6,743	6,719	0	0
After 5 years	0	0	0	0
	6,743	**6,719**	**0**	**0**

The Company provides warranties up to 2 years on finished and delivered RAS. Based on previous experience in respect of the level of repairs, other provisions have been recognised for expected warranty claims.

18. 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	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
Lease obligations				
After 5 years	620	1,204	0	0
Between 1 and 5 years	3,059	3,117	0	0
Long-term part	3,679	4,321	0	0
Within 1 year	1,045	823	0	0
	4,724	**5,144**	**0**	**0**
Other payables				
After 5 years	0	0	0	0
Between 1 and 5 years	373	934	0	0
Long-term part	373	934	0	0
Other short-term payables	42,813	26,750	20,022	22
	43,186	**27,684**	**20,022**	**22**

19. Cash flow statement - Adjustments

	Group 2022 TDKK	Group 2021 TDKK
Financial income	-2,053	-582
Financial expenses	1,839	5,203
Depreciation, amortisation and impairment losses, including losses and gains on sales	10,106	9,938
Tax on profit/loss for the year	-7,816	3,021
Other adjustments	-17,236	-2,804
	-15,160	**14,776**

20. Cash flow statement - Change in working capital

	Group 2022 TDKK	Group 2021 TDKK
Change in inventories	9,555	142
Change in receivables	112,337	2,336
Change in other provisions	1,775	3,273
Change in trade payables, etc	-5,835	-40,513
	117,832	**-34,762**

21. Contingent assets, liabilities and other financial obligations

Charges and security

	Group 2022 TDKK	Group 2021 TDKK	Parent company 2022 TDKK	Parent company 2021 TDKK
The following assets have been placed as security with bankers as company charge totalling TDKK 70.000. The carrying amount of these assets is TDKK ::				
Inventories	9,324	13,278	0	0
Receivable from sales and services	60,062	30,698	0	0
Other plants, operating assets and fixtures and furniture	9,895	12,645	0	0

Notes to the Financial Statements

Rental and lease obligations				
Lease obligations under operating leases. Total future lease payments:				
Within 1 year	187	138	0	0
	187	**138**	**0**	**0**
Lease obligations, period of nonterminability 37 months	11,963	13,623	0	0
Lease obligations, period of nonterminability 2-12 months	270	250	0	0
Guarantee obligations				
The group has provided guarantees concerning projects in progress, totalling TDKK	36,293	35,053	0	0

Other contingent liabilities

In connection with the submission of major projects abroad, customers has notified claims for compensation and initiated steps to initiate legal proceedings. The Group does not yet know the size of the claim or the timing of the process, but has notified the damage / claim to the insurance company in advance, and notified recourse claims against several subcontractors involved.

The parent company has issued a payment guarantee to its bank connection Sydbank. The guarantee obligation covers the total bank debt raised by subsidiaries.

The 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 by the Group amounts to TDKK 0. 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.

The parent company has submitted a declaration of resignation of TDKK 25.000 against loans to Billund Aquaculture A/S with bank connection Sydbank.

22. Related parties

	Basis
Controlling interest	
Havbruksparken Utvikling AS	Majority shareholder

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK

23. Fee to auditors appointed at the general meeting

	2022	2021	2022	2021
PricewaterhouseCoopers				
Audit fee	514	420	15	13
Tax advisory services	186	261	0	0
Non-audit services	64	31	0	0
	764	**712**	**15**	**13**

24. Accounting policies

The Annual Report of Billund Aquaculture Holding A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated Financial Statements and the Parent Company Financial Statements for 2022 are presented in TDKK.

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.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Billund Aquaculture Holding A/S, 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.

Minority interests

Minority interests form part of the Group's total equity. Upon distribution of net profit, net profit is broken down on the share attributable to minority interests and the share attributable to the shareholders of the Parent Company. Minority interests are recognised on the basis of a remeasurement of acquired assets and liabilities to fair value at the time of acquistition of subsidiaries.

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other 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.

Segment information on revenue

Information on business segments and geographical segments based on the Group´s risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income statement

Net sales

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.

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Group. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

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 the consolidated revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

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

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, including gains and losses on the sale of intangible assets and property, plant and equipment.

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 are recognised in the income statement at the amounts relating to the financial year.

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

Balance sheet

Intangible fixed assets

Goodwill

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 3 - 10 years.

Development projects

Development projects costs comprise e.g. salaries, wages, and amortisation which directly refer to the development activities

Clearly defined and identifiable development projects are recognised as intangibla fixed assets provided that the technical feasibility, sufficient ressources, and a potential market or a development opporunity can be demonstrated, and provided that it is the intention to produce, market or utilise the project. It is however, a condition that the cost can be calculated reliably and that a sufficiently high degree of certainty indicates that future earnings will cover the costs for production, sales and administration. Other development costs are recognised in the profit and loss account concurrently with their realisation.

Development costs recognised in the balance sheet are measured at cost with deduction of accrued depreciation and writedown.

After completion of the development work, capitalised development costs are amortised on a straight line basis over the financial useful life. Usually, the amortisation period is 5 - 10 years.

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 year.

Notes to the Financial Statements

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.

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:

Other fixtures and fittings, tools and equipment	3-10 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment and investments 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 other receivables.

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 and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments

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

Provisions

Other provisions include warranty obligations in respect of repair work within the warranty period of 1-5 years. Provisions are measured and recognised based on experience with guarantee work.

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, including the tax base of tax loss carry-forwards, 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.

Financial debts

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

Notes to the Financial Statements

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

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

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

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.

Financial Highlights

Explanation of financial ratios

Gross margin	Gross profit x 100 / Revenue
Profit margin	Profit before financials x 100 / Revenue
Return on assets	Profit before financials x 100 / Total assets at year end
Solvency ratio	Equity at year end x 100 / Total assets at year end
Return on equity	Net profit for the year x 100 / Average equity