PRECISION GLOBAL

Precision Global ApS

Lansen 13 B
9230 Svenstrup J
CVR No. 38717723

Annual report 01.04.2023 - 31.03.2024

The Annual General Meeting adopted the annual report on 11.06.2024

Jeppe Müller
Chairman of the General Meeting

Contents

Entity details

Entity

Precision Global ApS
Lansen 13 B
9230 Svenstrup J

Business Registration No.: 38717723
Registered office: Aalborg
Financial year: 01.04.2023 - 31.03.2024

Board of Directors

Lene-Christine Knüttel Winther
Martin Holmgaard Thomsen
Jeppe Müller
Thomas Henrik Dresler Petersen

Executive Board

Jesper Rom Knudsen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Østre Havnepromenade 26, 4th floor
9000 Aalborg

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Precision Global ApS for the financial year 01.04.2023 - 31.03.2024.

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

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.03.2024 and of the results of their operations and the consolidated cash flows for the financial year 01.04.2023 - 31.03.2024.

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

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

Svenstrup J, 11.06.2024

Executive Board

Jesper Rom Knudsen

Board of Directors

Lene-Christine Knüttel Winther	**Martin Holmgaard Thomsen**
Jeppe Müller	**Thomas Henrik Dresler Petersen**

Independent auditor's report

To the shareholders of Precision Global ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of Precision Global ApS for the financial year 01.04.2023 - 31.03.2024, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.03.2024 and of the results of their operations and the consolidated cash flows for the financial year 01.04.2023 - 31.03.2024 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor’s responsibilities for the audit of the consolidated financial statements and the parent financial statements" section of this auditor’s 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.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and parent 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 consolidated financial statements and the parent 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 Entity’s internal control.

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

- Conclude on the appropriateness of Management’s use of the going concern basis of accounting in preparing the consolidated financial statements and the parent 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 Entity’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements and the parent 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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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.

Statement on the management commentary

Management is responsible for the management commentary.

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

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

Moreover, it is our responsibility to consider whether the management commentary provides the information required by relevant law and regulations.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements in the relevant law and regulations. We did not identify any material misstatement of the management commentary.

Aalborg, 11.06.2024

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

René Winther Pedersen
State Authorised Public Accountant
Identification No (MNE) mne34173

Management commentary

Financial highlights

	2023/24 DKK'000	2022/23 DKK'000	2021/22 DKK'000
Key figures			
Gross profit/loss	62,125	53,507	15,706
Operating profit/loss	29,068	31,770	1,173
Net financials	(3,322)	3,028	366
Profit/loss for the year	19,684	27,284	351
Balance sheet total	83,062	190,640	47,766
Investments in property, plant and equipment	2,602	4,806	720
Equity	40,205	35,433	12,187
Cash flows from operating activities	46,265	(2,514)	7,249
Cash flows from investing activities	7,306	(5,342)	(6,764)
Cash flows from financing activities	(104,104)	71,167	5,710
Ratios			
Equity ratio (%)	48.40	18.59	25.51

The financial highlights include only a period of three years as it is the period in which consolidated accounts have been submitted.

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

Equity ratio (%):
Equity * 100
Balance sheet total

Primary activities

The purpose of the Group is to protect people and society. The Group is doing this by providing complex solutions and services to Government Agencies and the defence industry. Solutions and services include Individual Soldier Solutions, Integrated Solutions, Command and Control Solutions, Maintenance and Integrated Logistics Services and Advisory.

The purpose of the Parent company is to own shares in other companies as well as other related business on behalf of the Executive Board.

Development in activities and finances

The result for the year before tax amounts to a profit of DKK 25.7 million compared to a profit of DKK 34.8 million last year. This is considered unsatisfactory, but is heavily impacted by the freeze in government spendings regarding investments in the defence industry as well as delays in donations packages for the Ukrainian defence sector.

The balance for the group has declined from DKK 190.6 million to DKK 83.1 million due to a timing issue at year-end 31 March 2023. At the closing date last year, one Group company has approx. 62 million DKK in cash deposit in Lloyds Bank which should have been transferred to the parent Company to cover bank overdraft. The amount was not transferred until a few days after the closing date resulting in an increase in bank deposits and bank overdrafts respectively.

The overall status of the company group is positive. The Defence industry is still growing and the demand for additional government spendings within the sector seems extremely positive for the years to come. Throughout the corporate territory, defence budgets and spending are being heavily expanded. This is expected to continue throughout the next five to ten years, as the geo-political situation is not likely to change and as the NATO and Coalition countries finally seem to realize that they have neglected to invest in the national defence and security for the past decades. Hence, there seems to be a huge potential for the sector and company in the years to come. The security situation as well as the lessons learned from the global pandemic, does encourage the European NATO partners to prioritize local industry initiatives, but the urgency of time as well as alliance interoperability, on the other hand calls for procurement of US defence articles, which are still considered the most advanced and trendsetting. In addition, the US is trying to optimize the availability of defence related articles by lowering the export restrictions to main NATO partners. In addition, the US is allocating funds to new and smaller economy partners in NATO. These funds are dedicated towards procurement of US defence articles. Such procurements must be conducted government to government but can go into a tender process on the US side, which opens up the possibility to utilize a US based entity to obtain such opportunities.

Through FY2023/24 the global geo-political situation has resulted in a transitions between peace and wartime economy and politics. This has generated a re-negotiation and shift in the National Security strategies within several key markets, which has resulted in a freeze of existing plans and projects. This has severely impacted the Group FY2023/24, however clearly paved the future, which is showing the largest investments within National Security since World War II.

The Precision Technic Defence Group is still in the beginning of the strategy implementation, which will enhance the ability to benefit from the global trends. The Group is, however, seen in very good condition for the future, being more focused and streamlined than ever.

The Precision Technic Defence Group addition of the US entity, which was incorporated late 2022, is still being very well received by the US partners, however full implementation is an on-going process both externally as well as internally. It will, however, make corporation with the group more attractive for US suppliers as well as optimize the internal processes and intercompany resources. Overall objective is still to streamline Group supply chain management and to mediate financial and operational risks, through this entity. Additionally, to exploit new strategic sales channels including US Foreign Military Sales and other Government-to-Government activities.

The Group result is still negatively affected by challenges in some young and "unmature" enterprises. The result is however still supporting the continuous growth of the Group.
Throughout the underlying companies, we have seen growth and activities picking up. Results in the Australian entity has not been satisfactory, and Management change was implemented to initiate a turn-around. This has re -established the company. The APAC region has a huge potential over the next five years, as National Security spendings are being heavily increased. Company activities is being expanded into the wider APAC region to try to capture this potential and to mediate risk from leaning too heavily on one Customer. Results in the French and German companies have not been satisfactory. In the German company, there is a lot of on-going activities and longer terms opportunities, whereas the French company is extremely challenged. There is a focus on pipeline generation, budget planning and execution as well as continuous effort on implementing procedures and processes to streamline organization as well as activities. Main effort for FY2024/2025 will be for the German organization to establish a sovereign business unit. Goal is to have this conducted by FY2025/26.

In FY2022/2023, a professional Board of Directors was implemented to assist the governance and business development. As a result, strategies for each entity have been defined as a foundation for the budgeting process and a new focus on best business practice has been initiated. The Board of Directors is conducted as an active board, which - amongst others – means an active and high intensity engagement.

On the corporate level, main effort has been to ensure that the corporate structure is enabled to support the growth strategy. The Group has teamed with AP Ejendomme in order to finance and build the new headquarter for the Group which - amongst others – ensures that the company liquidity is being made available to finance the continuous growth strategy.

The Group will continue to implement the three strategic initiatives being growth and financial robustness, additional service and support offerings on deliverables and the sustainability agenda. This includes implementation of new initiatives within Environmental, Social and Governance (ESG).

Profit/loss for the year in relation to expected developments

The Group had expected a profit before tax of DKK 100-150 million for the FY 2023/24. Realized profit before tax was DKK 25,7 million and the profit is considered unsatisfactory. However the result for FY 2023/24 is highly impacted by cuts in budget spendings and delays in decision processes in most of the countries that Precision Defence Technic is operating in. The Group has established the organization prepared for the announced growth in Government spending within the military in most NATO countries for the years to come. Further agreements has been made with suppliers to support this expected growth and as stated in the Outlook for FY2024/25, the result for the FY2023/24 is considered as a postponement of the strategy implemented.

Outlook

The outlook for FY2024/2025 is expected to follow the positive trend and the recent wins within – especially - the British and the Danish companies. In the FY 2023/2024, the company started to deliver on a framework project for British Ministry of Defence (MoD). Afterwards, the British MoD decided to utilize this seven-year framework for a much wider scope and effect. The British company main strategic outlook is therefore to ensure delivery upon this framework contract as well as looking into additional solutions and services being added to the contract vehicle. Secondarily, the company strives to establish additional framework contracts with the British

MoD, as well as exploiting adding Services onto the existing contract. This is in order to mediate Operational and Financial risks.

The Danish company has been heavily impacted by the freeze of Government Defence spendings for the first eight months of the financial year. Additionally, the on-going negotiations on additional defence spendings have stopped some major projects and investments that were expected in FY2023/24. The Danish MoD finally signed and initiated the Modular Sensor Contract in the final part of FY2023/24, and the initial orders have been placed for delivery within FY2024/25. The effect of this contract and the new enhanced defence budgets is expected to have a positive impact on the next five years. This will also include activities for Precision Services, who has also achieved some significant milestone throughout FY2023/24. Main activities are around International Defence Corporation partnerships as well as integration services related to other Group entities.
The Danish company strategic efforts to spread activities into wider Scandinavia is proceeding successfully, with positive expectations for FY2024/25 and beyond. Main effort is the Swedish and Finnish markets, where the NATO membership is driving huge investments in National Security and fulfillment of the alliance force objectives. Another main driver for the positive direction has been deliveries on existing Government contracts.

The Group expects a profit before tax of DKK 75-100 million for FY2024/25. The expectation range is a consequence of the uncertainty related to the timing of order deliveries.

Statutory report on corporate social responsibility

The account of the Corporate Social Responsibility covers the period from 1st of April 2023 until 31st of March 2024.

The Group is a global owner of companies with the main activities being sales of systems, solutions, and services to government authorities within NATO as well as to coalition partners. Sub-suppliers and partners are either located in the USA or within the EU.

The Group does not manufacture any products itself and is constantly monitoring and analyzing the most important aspects of the value chain, not only in terms of the Corporation but also regarding the external environment. Risk management is an integrated part of our business.

Strategic Policies

In 2020, the Group implemented both a Code of Conduct as well as a Corporate Social Responsibility (CSR) Policy throughout the organization. These were approved by the Board of Directors and are an integrated part of the decision-making process for all strategic business decisions. The strategies as well as the Anti-Bribery Policy can be accessed via www.ptdefence.com/about. In addition, as part of the implementation, we have added the CSR aspects into the Supplier Review in our ISO9001 and ISO27001 workflows. Since the last reporting, the Group have received its first ISO14001 certification, and continue to implement new workflows to strengthen our ESG strategy.

Sustainable Development Goals

Our commitment to CSR is an essential part of our Group strategy, and we firmly believe that by prioritizing CSR, we can achieve long-term success while simultaneously making a positive contribution to society and the environment. To ensure that we are making significant progress, we have identified five key areas that are integral to our approach to corporate social responsibility, each of which aligns with the United Nations' Sustainable Development Goals (SDGs). Our key focus areas, serving as a guiding framework for our initiatives, are:

• Climate
• Social responsibility and workers' welfare
• Human rights
• Economic sustainability
• Anti-bribery

The United Nations' 17 Development Goals are a crucial part of the 2030 Agenda for Sustainable Development, with the aim of eliminating poverty, protecting the planet, and promoting prosperity for all. The SDGs encompass a wide range of issues, such as ensuring access to clean water and affordable energy, eradicating hunger, promoting gender equality, and creating sustainable communities.

Climate
Precision Defence Group recognizes the importance of protecting the environment and mitigate climate change and have implemented various measures to contribute to Sustainable Development Goals:

• Goal 12 - Responsible consumption and production
• Goal 13 – Climate action

As part of our commitment to sustainability, we have introduced a comprehensive waste sorting and recycling system and in 2020, our sales organization initiated a web shop to sell used equipment, promoting its reuse. Additionally, we ensure that packaging materials are recycled and used more than once, we recycle and reuse trade show stands again and again, and have replaced printed brochures with digital versions accessible via QR codes.

To achieve our goal of reducing our climate footprint, we have, moreover, transitioned to a more energy-efficient lighting system and have limited air travel to reduce CO_2 emissions. Additionally, we have established satellite offices to create local job opportunities and minimize commuting and transportation needs. In instances where colleagues from satellite offices need to travel to other locations for meetings, we encourage carpooling to reduce the overall carbon footprint.

The Group has also taken steps to reduce food waste in its canteen by encouraging employees to inform the kitchen staff if they will be having lunch or not. This proactive approach has led to a reduction in food waste, thereby preserving valuable resources.

As part of our commitment to combat climate change, the Parent company is building a new headquarter in Svenstrup, Denmark, with a vision to design and construct the building in accordance with the UN Sustainable Development Goals. The new facility will be DGNB certified to Platin, demonstrating our dedication to reduce our environmental impact. In addition to the environmental benefits, the new building will also promote social and economic sustainability by providing local job opportunities. Furthermore, the building will include features such as electric charging stations in the parking lot, further promoting sustainable transportation practices. Moving forward, Precision Defence Group is committed to continuing its efforts towards implementing environmentally friendly solutions. In addition, the Group is actively striving to introduce sustainable and climate-friendly products and solutions to its customers. It is a clear and integral part of our strategy that climate preservation and sustainability serve as evaluation criteria for all new products, solutions, and procedures.

Social responsibility and workers' welfare
At Precision Global we acknowledge the fact that our employees are our biggest asset, and that we have a responsibility for our supply chain and the communities in which we operate. Consequently, we continuously implement measures, contributing to Sustainable Development Goals:

• Goal 3 - Good health & well-being
• Goal 4 - Quality education
• Goal 5 - Gender equality
• Goal 8 - Decent work & sustainable economic growth.

Ensuring a good work environment and a strong focus on safety are high priorities within the Group. Although there is no actual production taking place, the logistic departments involve heavy lifting, and the office workload can be stressful. Throughout the financial year, the Corporation has implemented new equipment and facilities to optimize the safety of its workers.

In addition, we have placed a strong focus on monitoring stress levels within the organization and have implemented new processes, procedures, and personnel to actively address any identified concerns. Furthermore, the Group has implemented remote workspaces to a certain extent in response to the COVID-19 pandemic. This has proven to be an effective tool for improving efficiency and reducing stress. It is a clear strategy for the Group to integrate remote workspaces into the daily business operations.

We believe that investing in our employees and in their education is essential for their personal and professional development, as well as for the success of the Group. Consequently, we offer various training and education programs to our employees and promote employee well-being by providing healthy lunch options, free fruit, discounts on sportswear for all employees, and a range of social events.

As our company grows, we are continuously creating more job opportunities locally, which helps to promote decent work and work conditions for people around the world. We believe that providing good work opportunities is essential not only to the continued growth and success of the Group but also for achieving economic growth on a societal level.

The Group places great importance on job creation and has a special focus on employing veterans and assisting them in transitioning to civilian jobs outside the armed forces. We also support veteran programs and organizations that provide care and support for veterans in general. Moreover, we cooperate with educational institutions to provide practical learning opportunities to students and offer internship programs to support them in their way into the job market.

To promote gender equality, the Group requests recruitment agencies to present mixed-gender candidates for all open positions. The Group also ensures that all employees are treated equally in terms of rights and conditions during employment, and there is no gender-based biases or discrimination in the workplace. Additionally, the Group provides favorable conditions for both men and women during maternity leave and offers a Senior Policy, including attractive benefits for senior employees.

Our commitment to health, safety and decent work conditions also encompasses our suppliers and partners and is a key element of our Supplier Review. Failing to meet our high standards may lead to termination of our cooperation or partnership.

Human Rights
The Group does not tolerate any breaches of human rights.

The risk assessment of human rights and the impact on the Group shows that the main risk is within the supply chain. However, all partners and suppliers are located in democratic countries that are strongly committed to human rights. It is a clear corporate strategy not to engage in direct business with any non-NATO or non-coalition country to ensure full compliance with human rights and best practices for anti-corruption.

Economic sustainability
Precision Global is committed to contributing to the achievement of economic sustainability and to contributing to the following Sustainable Development Goals related to sustainable economic growth, e.g.:

• Development Goal 8 - Decent work & sustainable economic growth
• Development Goal 12 – Responsible consumption and production

The Group has a strong focus on creating job opportunities in the communities where it operates and promoting responsible consumption and production through various measures. The construction of a new headquarters not only provides a modern workplace built in compliance with sustainable construction principles but also creates new job opportunities, which the Group believes is a crucial step towards ensuring sustainable economic growth.

Anti-bribery
Our Group is built on the trust of customers and authorities, and we do not tolerate bribery or any form of corruption.

We have implemented both an anti-bribery strategy and policy, and all employees are educated on these topics as part of their initial training. Follow-up sessions are conducted, especially prior to large events and activities where topics concerning gifts, representation dinners etc. may be relevant. In the financial year, there have been no reports of bribery or corruption.

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

Consolidated income statement for 2023/24

	Notes	2023/24 DKK	2022/23 DKK
Gross profit/loss		**62,125,390**	**53,506,741**
Staff costs	1	(31,125,127)	(20,524,463)
Depreciation, amortisation and impairment losses	2	(1,649,640)	(1,207,952)
Other operating expenses		(282,607)	(4,594)
Operating profit/loss		**29,068,016**	**31,769,732**
Other financial income	3	5,352,408	7,100,221
Other financial expenses	4	(8,674,785)	(4,071,774)
Profit/loss before tax		**25,745,639**	**34,798,179**
Tax on profit/loss for the year	5	(6,061,856)	(7,514,321)
Profit/loss for the year	6	**19,683,783**	**27,283,858**

Consolidated balance sheet at 31.03.2024

Assets

	Notes	2023/24 DKK	2022/23 DKK
Acquired intangible assets		133,873	0
Goodwill		636,380	954,570
Development projects in progress	8	5,272,259	5,017,681
Intangible assets	7	**6,042,512**	**5,972,251**
Other fixtures and fittings, tools and equipment		2,334,411	1,299,478
Leasehold improvements		393,499	545,967
Property, plant and equipment	9	**2,727,910**	**1,845,445**
Deposits		850,932	718,700
Financial assets	10	**850,932**	**718,700**
Fixed assets		**9,621,354**	**8,536,396**
Manufactured goods and goods for resale		10,931,478	6,975,138
Assets held for sale		0	7,029,699
Prepayments for goods		13,348,687	60,416,091
Inventories		**24,280,165**	**74,420,928**
Trade receivables		24,151,810	35,647,391
Deferred tax	11	263,398	355,363
Other receivables		645,118	470,970
Tax receivable		2,726,726	184,153
Prepayments	12	2,392,608	1,511,039
Receivables		**30,179,660**	**38,168,916**
Cash		**18,980,595**	**69,513,972**
Current assets		**73,440,420**	**182,103,816**
Assets		**83,061,774**	**190,640,212**

Equity and liabilities

	Notes	2023/24 DKK	2022/23 DKK
Contributed capital	13	50,000	50,000
Translation reserve		83,200	(5,624)
Retained earnings		30,072,263	20,388,480
Proposed dividend for the financial year		10,000,000	15,000,000
Equity		**40,205,463**	**35,432,856**
Deferred tax	11	1,735,280	1,345,942
Provisions		**1,735,280**	**1,345,942**
Lease liabilities		568,856	0
Other payables		331,180	484,554
Non-current liabilities other than provisions	14	**900,036**	**484,554**
Current portion of non-current liabilities other than provisions	14	112,520	65,187
Bank loans		54,047	89,005,161
Lease liabilities		95,438	84,841
Prepayments received from customers		4,319,898	1,355,762
Trade payables		15,664,652	38,061,900
Payables to owners and management		13,278,458	3,237,937
Tax payable		2,181,990	7,064,315
Other payables		4,513,992	14,501,757
Current liabilities other than provisions		**40,220,995**	**153,376,860**
Liabilities other than provisions		**41,121,031**	**153,861,414**
Equity and liabilities		**83,061,774**	**190,640,212**
Unrecognised rental and lease commitments	16		
Contingent assets	17		
Assets charged and collateral	18		
Non-arm’s length related party transactions	19		
Subsidiaries	20		

Consolidated statement of changes in equity for 2023/24

	Contributed capital DKK	Translation reserve DKK	Retained earnings DKK	Proposed dividend for the financial year DKK	Total DKK
Equity beginning of year	50,000	(5,624)	20,388,480	15,000,000	35,432,856
Ordinary dividend paid	0	0	0	(15,000,000)	(15,000,000)
Exchange rate adjustments	0	88,824	0	0	88,824
Profit/loss for the year	0	0	9,683,783	10,000,000	19,683,783
Equity end of year	**50,000**	**83,200**	**30,072,263**	**10,000,000**	**40,205,463**

Consolidated cash flow statement for 2023/24

	Notes	2023/24 DKK	2022/23 DKK
Operating profit/loss		29,068,016	31,769,732
Amortisation, depreciation and impairment losses		1,649,640	1,227,211
Working capital changes	15	29,966,189	(38,829,491)
Cash flow from ordinary operating activities		**60,683,845**	**(5,832,548)**
Financial income received		4,047,133	5,260,787
Financial expenses paid		(8,674,785)	(1,900,567)
Taxes refunded/(paid)		(9,791,041)	(41,437)
Cash flows from operating activities		**46,265,152**	**(2,513,765)**
Acquisition etc. of intangible assets		(290,578)	(225,459)
Acquisition etc. of property, plant and equipment		(2,601,932)	(4,805,715)
Acquisition of fixed asset investments		(132,232)	(505,745)
Sale of fixed asset investments		290,180	194,562
Loans		10,040,521	0
Cash flows from investing activities		**7,305,959**	**(5,342,357)**
Free cash flows generated from operations and investments before financing		**53,571,111**	**(7,856,122)**
Repayments of loans etc.		(153,374)	(238,179)
Dividend paid		(15,000,000)	(4,000,000)
Change in bank debt		(88,951,114)	75,405,526
Cash flows from financing activities		**(104,104,488)**	**71,167,347**
Increase/decrease in cash and cash equivalents		**(50,533,377)**	**63,311,225**
Cash and cash equivalents beginning of year		69,513,972	6,202,747
Cash and cash equivalents end of year		**18,980,595**	**69,513,972**
Cash and cash equivalents at year-end are composed of:			
Cash		18,980,595	69,513,972
Cash and cash equivalents end of year		**18,980,595**	**69,513,972**

Notes to consolidated financial statements

1 Staff costs

	2023/24 DKK	2022/23 DKK
Wages and salaries	27,364,666	17,898,397
Pension costs	2,479,946	1,983,260
Other social security costs	1,280,515	642,806
	31,125,127	**20,524,463**

Average number of full-time employees	41	32

	Remuneration of management 2023/24 DKK	Remuneration of management 2022/23 DKK
Total amount for management categories	2,136,041	1,455,287
	2,136,041	**1,455,287**

2 Depreciation, amortisation and impairment losses

	2023/24 DKK	2022/23 DKK
Amortisation of intangible assets	530,149	318,190
Depreciation on property, plant and equipment	1,119,491	889,762
	1,649,640	**1,207,952**

3 Other financial income

	2023/24 DKK	2022/23 DKK
Other interest income	324,799	832,745
Exchange rate adjustments	1,305,275	6,267,476
Other financial income	3,722,334	0
	5,352,408	**7,100,221**

4 Other financial expenses

	2023/24 DKK	2022/23 DKK
Other interest expenses	1,772,442	1,258,776
Exchange rate adjustments	3,661,703	2,171,207
Other financial expenses	3,240,640	641,791
	8,674,785	**4,071,774**

5 Tax on profit/loss for the year

	2023/24 DKK	2022/23 DKK
Current tax	5,867,303	7,300,293
Change in deferred tax	378,566	36,747
Adjustment concerning previous years	(184,013)	177,281
	6,061,856	**7,514,321**

6 Proposed distribution of profit/loss

	2023/24 DKK	2022/23 DKK
Ordinary dividend for the financial year	10,000,000	15,000,000
Extraordinary dividend distributed in the financial year	0	4,000,000
Retained earnings	9,683,783	8,283,858
	19,683,783	**27,283,858**

7 Intangible assets

	Acquired intangible assets DKK	Goodwill DKK	Development projects in progress DKK
Cost beginning of year	0	1,590,950	5,017,681
Transfers	637,791	0	0
Additions	36,000	0	254,578
Cost end of year	**673,791**	**1,590,950**	**5,272,259**
Amortisation and impairment losses beginning of year	0	(636,380)	0
Transfers	(327,959)	0	0
Amortisation for the year	(211,959)	(318,190)	0
Amortisation and impairment losses end of year	**(539,918)**	**(954,570)**	**0**
Carrying amount end of year	**133,873**	**636,380**	**5,272,259**

8 Development projects

The development projects are to be completed in the financial year of 2024/2025, when products is sold, which is expected during Q1of the financial year 2024/25. There are indications of future positive cash flows from the development projects which exceeds the capitalized development costs.

9 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	2,830,091	1,261,261
Transfers	(637,791)	0
Additions	2,601,932	0
Disposals	(912,654)	(101,211)
Cost end of year	**3,881,578**	**1,160,050**
Depreciation and impairment losses beginning of year	(1,530,577)	(715,294)
Transfers	327,959	0
Depreciation for the year	(967,023)	(152,468)
Reversal regarding disposals	622,474	101,211
Depreciation and impairment losses end of year	**(1,547,167)**	**(766,551)**
Carrying amount end of year	**2,334,411**	**393,499**
Recognised assets not owned by Entity	650,172	-

10 Financial assets

	Deposits DKK
Cost beginning of year	718,700
Additions	454,231
Disposals	(321,999)
Cost end of year	**850,932**
Carrying amount end of year	**850,932**

11 Deferred tax

	2023/24 DKK	2022/23 DKK
Intangible assets	(1,173,723)	(1,103,890)
Property, plant and equipment	(453,274)	(81,435)
Receivables	(126,515)	(269,408)
Liabilities other than provisions	281,630	216,442
Tax losses carried forward	0	72,878
Other deductible temporary differences	0	174,834
Deferred tax	**(1,471,882)**	**(990,579)**

Changes during the year	2023/24 DKK	2022/23 DKK
Beginning of year	(990,579)	(925,872)
Recognised in the income statement	(395,140)	(64,707)
Adjustment conerning previous years	(86,163)	0
End of year	**(1,471,882)**	**(990,579)**

Deferred tax has been recognised in the balance sheet as follows	2023/24 DKK	2022/23 DKK
Deferred tax assets	263,398	355,363
Deferred tax liabilities	(1,735,280)	(1,345,942)
	(1,471,882)	**(990,579)**

Deferred tax assets

The tax assets recognised are expected to be used in the next few years.

12 Prepayments

Prepayments comprise prepaid expenses, including insurance and rental of properties relating to the next financial year.

13 Contributed capital

	Number	Par value DKK	Nominal value DKK
Ordinary shares	5,000	100.00	50,000
	5,000		**50,000**

14 Non-current liabilities other than provisions

	Due within 12 months 2023/24 DKK	Due within 12 months 2022/23 DKK	Due after more than 12 months 2023/24 DKK	Outstanding after 5 years 2023/24 DKK
Lease liabilities	0	0	568,856	112,944
Other payables	112,520	65,187	331,180	318,605
	112,520	**65,187**	**900,036**	**431,549**

15 Changes in working capital

	2023/24 DKK	2022/23 DKK
Increase/decrease in inventories	50,140,763	(62,918,550)
Increase/decrease in receivables	10,439,864	(12,654,802)
Increase/decrease in trade payables etc.	(30,614,438)	36,743,861
	29,966,189	**(38,829,491)**

16 Unrecognised rental and lease commitments

	2023/24 DKK	2022/23 DKK
Total liabilities under rental or lease agreements until maturity	125,402,610	1,463,683

17 Contingent assets

The Group has not recognised a tax asset of 1.557 mdkk., which can be set off against future tax profits. No tax asset has been recognised in relation to this as Management assesses that it is unlikely that the Group will be able to use this within a period of 3-5 years.

18 Assets charged and collateral

The company's bank connection, Danske Bank, has a corporate mortgage in the company amounting to 15.0 mdkk. The bank has security in simple claims, stock, operating assets and intangible rights, which has an accounting value of 32.018 mdkk.

19 Non-arm’s length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

20 Subsidiaries

	Registered in	Corporate form	Ownership %
Precision Facilities ApS	Aalborg	ApS	100.00
Precision Technic Defence A/S	Aalborg	A/S	100.00
Precision Technic Defence GmbH	Germany	GmbH	100.00
Precision Technic Defence Limited	England	Ltd	100.00
Precision Technic Defence SAS	France	SAS	100.00
Precision Technic Defence PTY Ltd	Australia	Ltd	100.00
Precision Technic Defence sp. Z.o.o.	Poland	sp. Z.o.o.	100.00
Precision Technic Defence Inc	USA	Inc	100.00
Precision Services ApS	Aalborg	ApS	100.00
Tactical Coatings UK Limited	England	Ltd	100.00
Precision Technic Defence AB	Sweden	AB	100.00

Parent income statement for 2023/24

	Notes	2023/24 DKK	2022/23 DKK
Gross profit/loss		**14,004,705**	**10,958,778**
Staff costs	1	(4,030,979)	(2,856,912)
Depreciation, amortisation and impairment losses		(211,959)	(120,073)
Operating profit/loss		**9,761,767**	**7,981,793**
Income from investments in group enterprises		13,763,013	21,011,150
Other financial income	2	1,596,500	2,646,681
Other financial expenses	3	(3,993,806)	(3,128,630)
Profit/loss before tax		**21,127,474**	**28,510,994**
Tax on profit/loss for the year	4	(1,500,568)	(1,845,189)
Profit/loss for the year	5	**19,626,906**	**26,665,805**

Parent balance sheet at 31.03.2024

Assets

	Notes	2023/24 DKK	2022/23 DKK
Acquired intangible assets		133,873	0
Intangible assets	6	**133,873**	**0**
Other fixtures and fittings, tools and equipment		0	309,832
Property, plant and equipment	7	**0**	**309,832**
Investments in group enterprises		37,620,887	39,530,247
Deposits		89,636	391,635
Financial assets	8	**37,710,523**	**39,921,882**
Fixed assets		**37,844,396**	**40,231,714**
Receivables from group enterprises		16,509,126	103,387,948
Other receivables		393,873	33,317
Tax receivable		2,249,432	184,000
Joint taxation contribution receivable		1,801,744	5,151,166
Prepayments	9	562,473	199,822
Receivables		**21,516,648**	**108,956,253**
Cash		**935,651**	**191,755**
Current assets		**22,452,299**	**109,148,008**
Assets		**60,296,695**	**149,379,722**

Equity and liabilities

	Notes	2023/24 DKK	2022/23 DKK
Contributed capital		50,000	50,000
Reserve for net revaluation according to equity method		31,969,400	18,895,242
Retained earnings		1,695,605	5,058,529
Proposed dividend for the financial year		10,000,000	15,000,000
Equity		**43,715,005**	**39,003,771**
Deferred tax	10	137,570	101,813
Provisions		**137,570**	**101,813**
Bank loans		1,500	36,399
Trade payables		535,342	233,364
Payables to group enterprises		2,129,282	99,895,284
Payables to owners and management		13,278,458	3,237,937
Tax payable		0	6,579,135
Joint taxation contribution payable		0	219,126
Other payables		499,538	72,893
Current liabilities other than provisions		**16,444,120**	**110,274,138**
Liabilities other than provisions		**16,444,120**	**110,274,138**
Equity and liabilities		**60,296,695**	**149,379,722**
Unrecognised rental and lease commitments	11		
Contingent liabilities	12		
Assets charged and collateral	13		
Non-arm's length related party transactions	14		

Parent statement of changes in equity for 2023/24

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Proposed dividend for the year DKK	Total DKK
Equity beginning of year	50,000	18,895,242	5,058,529	15,000,000	39,003,771
Ordinary dividend paid	0	0	0	(15,000,000)	(15,000,000)
Exchange rate adjustments	0	84,328	0	0	84,328
Transfer to reserves	0	12,989,830	(12,989,830)	0	0
Profit/loss for the year	0	0	9,626,906	10,000,000	19,626,906
Equity end of year	**50,000**	**31,969,400**	**1,695,605**	**10,000,000**	**43,715,005**

Notes to parent financial statements

1 Staff costs

	2023/24 DKK	2022/23 DKK
Wages and salaries	3,550,211	2,524,128
Pension costs	444,440	312,418
Other social security costs	36,328	20,366
	4,030,979	**2,856,912**

Average number of full-time employees	**5**	**3**

	Remuneration of Manage-ment 2023/24 DKK	Remuneration of Manage-ment 2022/23 DKK
Total amount for management categories	1,798,041	1,455,287
	1,798,041	**1,455,287**

2 Other financial income

	2023/24 DKK	2022/23 DKK
Financial income from group enterprises	1,596,500	2,286,074
Other interest income	0	360,607
	1,596,500	**2,646,681**

3 Other financial expenses

	2023/24 DKK	2022/23 DKK
Financial expenses from group enterprises	321,071	3,099,313
Other interest expenses	806,836	29,317
Exchange rate adjustments	285	0
Other financial expenses	2,865,614	0
	3,993,806	**3,128,630**

4 Tax on profit/loss for the year

	2023/24 DKK	2022/23 DKK
Current tax	1,648,824	1,647,095
Change in deferred tax	35,757	20,813
Adjustment concerning previous years	(184,013)	177,281
	1,500,568	**1,845,189**

5 Proposed distribution of profit and loss

	2023/24 DKK	2022/23 DKK
Ordinary dividend for the financial year	10,000,000	15,000,000
Extraordinary dividend distributed in the financial year	0	4,000,000
Retained earnings	9,626,906	7,665,805
	19,626,906	**26,665,805**

6 Intangible assets

	Acquired intangible assets DKK
Transfers	637,791
Additions	36,000
Cost end of year	**673,791**
Transfers	(327,959)
Amortisation for the year	(211,959)
Amortisation and impairment losses end of year	**(539,918)**
Carrying amount end of year	**133,873**

7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK
Cost beginning of year	637,791
Transfers	(637,791)
Cost end of year	**0**
Depreciation and impairment losses beginning of year	(327,959)
Transfers	327,959
Depreciation and impairment losses end of year	**0**
Carrying amount end of year	**0**

8 Financial assets

	Investments in group enterprises DKK	Deposits DKK
Cost beginning of year	5,635,005	391,635
Additions	16,482	0
Disposals	0	(301,999)
Cost end of year	**5,651,487**	**89,636**
Revaluations beginning of year	33,895,242	0
Exchange rate adjustments	84,328	0
Amortisation of goodwill	(318,190)	0
Share of profit/loss for the year	14,081,203	0
Dividend	(15,000,000)	0
Investments with negative equity value depreciated over receivables	(773,183)	0
Revaluations end of year	**31,969,400**	**0**
Carrying amount end of year	**37,620,887**	**89,636**

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

9 Prepayments

Prepayments comprise prepaid expenses, including insurance and rental of properties relating to the next financial year.

10 Deferred tax

	2023/24 DKK	2022/23 DKK
Intangible assets	13,826	0
Property, plant and equipment	0	57,852
Receivables	123,744	43,961
Deferred tax	**137,570**	**101,813**

Changes during the year	2023/24 DKK	2022/23 DKK
Beginning of year	101,813	81,000
Recognised in the income statement	35,757	20,813
End of year	**137,570**	**101,813**

11 Unrecognised rental and lease commitments

	2023/24 DKK	2022/23 DKK
Total liabilities under rental or lease agreements until maturity	124,012,625	19,563

12 Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities, and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

13 Assets charged and collateral

Collateral provided for group enterprises

The entity has guranteed its shares in subsidairy Precision Technic Defence A/S for bank debt amouting DKK 500k, which has a value amounting DKK 25,032k.

Apart from that the Company has issued statements of deposits for some of its subsidiaries.

14 Non-arm’s length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

Accounting policies

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

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

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

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

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

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

Consolidated financial statements
The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling, influence are regarded as associates.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group’s accounting policies.

Subsidiaries’ financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries’ net assets at the acquisition date, with net assets having been calculated at fair value.

Income statement
Gross profit or loss
Gross profit or loss comprises revenue, own work capitalised, other operating income, costs of raw materials

and consumables and external expenses.

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

Other operating income
Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including profit from the sale of intangible assets and property, plant and equipment, and salary refunds .

Cost of sales
Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for normal inventory writedowns.

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

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

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

Other operating expenses
Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

Income from investments in group enterprises
Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income
Other financial income comprises dividends etc. received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

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

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

Balance sheet

Goodwill
Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For other amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 5 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc.
Intellectual property rights etc. comprise development projects in progress.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity in the reserve for development costs that is reduced as the development projects are amortised and written down.

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

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

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

Property, plant and equipment
Land and buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured at

cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.
The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

	Useful life
Other fixtures and fittings, tools and equipment	3 years
Leasehold improvements	5 years

Estimated useful lives and residual values are reassessed annually.

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

Investments in group enterprises
Investments in group enterprises are recognised and measured in the parent financial statements according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses. Reference is made to the above section on business combinations for more details about the accounting policies applied to acquisitions of investments in group enterprises.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to the reserve for net revaluation according to the equity method in equity.

Goodwill is the difference between cost of investments and fair value of the pro rata share of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 5 years.

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

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

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

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

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

Assets held for sale
Assets held for sale are assets that are no longer in use and have been put up for sale. The assets are measured at the lower of carrying amount at the date of reclassification and net realisable value, and no amortisation or depreciation is made.

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

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

However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

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

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

Joint taxation contributions payable or receivable
Current joint taxation contributions payable or receivable are recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

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

Cash
Cash comprises cash in hand and bank deposits.

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

Lease liabilities
Lease liabilities relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease liabilities are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Operating leases
Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

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

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes, and financial income, financial expenses and income tax paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, repayments of interest-bearing debt, including lease liabilities, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash.