Deloitte.

**Precision Global ApS**

Lansen 13 B
9230 Svenstrup J
CVR No. 38717723

# Annual report 01.04.2022 - 31.03.2023

The Annual General Meeting adopted the annual report on 29.06.2023

**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: 01.04.2022 - 31.03.2023

## Board of Directors

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

## Executive Board

Jeppe Müller

## 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 01.04.2022 - 31.03.2023.

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 31.03.2023 and of the results of their operations and the consolidated cash flows for the financial year 01.04.2022 - 31.03.2023.

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, 29.06.2023

**Executive Board**

**Jeppe Müller**

**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 01.04.2022 - 31.03.2023, 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 31.03.2023 and of the results of their operations and the consolidated cash flows for the financial year 01.04.2022 - 31.03.2023 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.

## Other matter

Effective from this financial year, the Entity is required to have its consolidated financial statements and the parent financial statements audited. We point out that, as disclosed in the financial statements, the comparative figures in the consolidated financial statements and the parent financial statements have not been audited but subjected to extended review.

## 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 under the Danish Financial Statements Act.

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 of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aalborg, 29.06.2023

**Deloitte**
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

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

# Management commentary

## Financial highlights

| | 2022/23 DKK'000 | 2021/22 DKK'000 |
|---|---|---|
| **Key figures** | | |
| Gross profit/loss | 53,507 | 15,706 |
| Operating profit/loss | 31,770 | 1,173 |
| Net financials | 3,028 | 366 |
| Profit/loss for the year | 27,284 | 351 |
| Balance sheet total | 190,640 | 47,766 |
| Investments in property, plant and equipment | 4,806 | 720 |
| Equity | 35,433 | 12,187 |
| Cash flows from operating activities | (2,514) | 7,249 |
| Cash flows from investing activities | (5,342) | (6,764) |
| Cash flows from financing activities | 71,167 | 5,710 |
| | | |
| **Ratios** | | |
| Equity ratio (%) | 18.59 | 25.51 |

As these are first-time consolidated financial statements, the financial highlights include only a period of two years.

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

**Equity ratio (%):**

$$\frac{\text{Equity * 100}}{\text{Balance sheet total}}$$

## Primary activities

The purpose of the Group are to sell and develop product to the defense industry. Products include clothing, protective equipment, electronics, displays, navigation equipment, cameras, vehicle, and platform equipment.

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 34,798k compared to a gain of DKK 1,539k last year. This is considered very satisfactory, and also reflects the geo-political situation and the huge expansion within the sector as a whole.

Regarding the balance total of the Group - one Group company has approx. 62 million DKK in cash deposit in Lloyds Bank at the closing date. This amount was not transferred to the parent Company on the closing date but was transferred immediately afterwards. This means that it was the management of the GRoup's intention to lower the balance sheet value with DKK 62 million. If the transferred was made the equity ratio would have been 27,6% instead of 18,6%.

The overall status of the company group is very positive. The Defence industry is 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 defense 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.

The new Precision Technic Defence Group addition of the US entity, which was incorporated late 2022, is being very well received by the US partners, however full implementation is a 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.

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 and has been satisfactory, however result in the French and German companies have not. 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 FY 2023/2024 will be to prepare the German organization for the FY 2024/2025, which is looking to be a turning point for the entity.

In FY 2022/2023, a professional Board of Directors has been 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 run 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 Pension in order to this pension fund 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

As the Group presents consolidated financial statements for the first time, the Group was not subject to this set of rules last year and did not announce expectations for 2022/23.

### Outlook

The budgets for 2023/2024 seem to follow the positive trend and the recent win within the British company. In the last part of FY 2022/2023, the company bid on a framework project for British Ministry of Defence (MoD), and this contract was awarded to the company, being the only compliant bidder. After award, the British MoD decided to utilize this seven-year framework for a much wider scope and effect. In the final part of FY 2022/2023 initial delivery on this contract was made, however main deliveries of both existing orders and well as forecasted orders from the Customer will take place in FY 2023/2024, making this budget the biggest and most ambitious in the Group's history. The British company main strategic outlook is wherefore to ensure delivery upon this framework contract as well as looking into additional solutions and services being added to the contract vehicle.

Another main driver for the positive direction has been deliveries on existing Government contracts in Denmark and especially the donations to Ukraine conducted by the Danish Government. The Modular Sensor Contract for Danish MoD was awarded to the Danish company in FY 2021/2022, however has still not been officially signed by the Defence Committee due to Government election and lack of governance within the Ministry of Defence. This has pushed all budgeted initial deliveries on this contract into FY 2023/2024. The company has, however, been extremely good at generating new opportunities elsewhere, especially within the donation programs. The delays within the planned procurement for Modular Sensors has impacted the development and result of Precision Services ApS. This entity is established mainly to enable and support this program, so the result is heavily impacted by this delay. Many other initiatives have been initiated, and company is expected to have a positive result in FY 2023/2024.

The Group expects a profit before tax of DKK 100-150m for the financial year 2023/24. The expectation range is a consequence of the uncertainty related to the time of order delivery.

### Statutory report on corporate social responsibility

The account of the Corporate Social Responsibility covers the period from 1st of January 2022 until 31st of March 2023.

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.

**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 Global 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 CO2 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 Group 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 Global 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 2022/23

| | Notes | 2022/23<br>DKK | 2021/22<br>DKK |
|---|---|---|---|
| **Gross profit/loss** | | **53,506,741** | **15,705,971** |
| | | | |
| Staff costs | 1 | (20,524,463) | (13,671,271) |
| Depreciation, amortisation and impairment losses | 2 | (1,207,952) | (861,350) |
| Other operating expenses | | (4,594) | 0 |
| **Operating profit/loss** | | **31,769,732** | **1,173,350** |
| | | | |
| Other financial income | 3 | 7,100,221 | 1,389,748 |
| Other financial expenses | 4 | (4,071,774) | (1,024,003) |
| **Profit/loss before tax** | | **34,798,179** | **1,539,095** |
| | | | |
| Tax on profit/loss for the year | 5 | (7,514,321) | (1,188,505) |
| **Profit/loss for the year** | 6 | **27,283,858** | **350,590** |

# Consolidated balance sheet at 31.03.2023

## Assets

| | Notes | 2022/23 DKK | 2021/22 DKK |
|---|---|---|---|
| Goodwill | | 954,570 | 1,272,760 |
| Development projects in progress | 8 | 5,017,681 | 4,792,222 |
| **Intangible assets** | 7 | **5,972,251** | **6,064,982** |
| | | | |
| Land | | 0 | 2,694,825 |
| Other fixtures and fittings, tools and equipment | | 1,299,478 | 898,065 |
| Leasehold improvements | | 545,967 | 451,045 |
| Property, plant and equipment in progress | | 0 | 951,650 |
| **Property, plant and equipment** | 9 | **1,845,445** | **4,995,585** |
| | | | |
| Deposits | | 718,700 | 212,955 |
| **Financial assets** | 10 | **718,700** | **212,955** |
| | | | |
| **Fixed assets** | | **8,536,396** | **11,273,522** |
| | | | |
| Manufactured goods and goods for resale | | 6,975,138 | 4,418,320 |
| Assets held for sale | | 7,029,699 | 0 |
| Prepayments for goods | | 60,416,091 | 8,265,897 |
| **Inventories** | | **74,420,928** | **12,684,217** |
| | | | |
| Trade receivables | | 35,647,391 | 14,922,803 |
| Deferred tax | 11 | 355,363 | 177,128 |
| Other receivables | | 470,970 | 611,657 |
| Tax receivable | | 184,153 | 665,009 |
| Prepayments | 12 | 1,511,039 | 1,228,600 |
| **Receivables** | | **38,168,916** | **17,605,197** |
| | | | |
| **Cash** | | **69,513,972** | **6,202,747** |
| | | | |
| **Current assets** | | **182,103,816** | **36,492,161** |
| | | | |
| **Assets** | | **190,640,212** | **47,765,683** |

## Equity and liabilities

| | Notes | 2022/23 DKK | 2021/22 DKK |
|---|---|---|---|
| Contributed capital | 13 | 50,000 | 50,000 |
| Translation reserve | | (5,624) | 32,420 |
| Retained earnings | | 20,388,480 | 12,104,622 |
| Proposed dividend for the financial year | | 15,000,000 | 0 |
| **Equity** | | **35,432,856** | **12,187,042** |
| | | | |
| Deferred tax | 11 | 1,345,942 | 1,103,000 |
| **Provisions** | | **1,345,942** | **1,103,000** |
| | | | |
| Lease liabilities | | 0 | 92,942 |
| Other payables | | 484,554 | 517,092 |
| **Non-current liabilities other than provisions** | 14 | **484,554** | **610,034** |
| | | | |
| Current portion of non-current liabilities other than provisions | 14 | 65,187 | 177,886 |
| Bank loans | | 89,005,161 | 13,599,635 |
| Lease liabilities | | 84,841 | 0 |
| Prepayments received from customers | | 1,355,762 | 8,988,251 |
| Trade payables | | 38,061,900 | 3,654,811 |
| Payables to owners and management | | 3,237,937 | 1,213,838 |
| Tax payable | | 7,064,315 | 410,250 |
| Other payables | | 14,501,757 | 5,820,936 |
| **Current liabilities other than provisions** | | **153,376,860** | **33,865,607** |
| | | | |
| **Liabilities other than provisions** | | **153,861,414** | **34,475,641** |
| | | | |
| **Equity and liabilities** | | **190,640,212** | **47,765,683** |
| | | | |
| Unrecognised rental and lease commitments | 16 | | |
| Contingent assets | 17 | | |
| Assets charged and collateral | 18 | | |
| Transactions with related parties | 19 | | |
| Subsidiaries | 20 | | |

# Consolidated statement of changes in equity for 2022/23

| | Contributed capital DKK | Translation reserve DKK | Retained earnings DKK | Proposed extraordinary dividend DKK | Proposed dividend for the financial year DKK | Total DKK |
|---|---|---|---|---|---|---|
| Equity beginning of year | 50,000 | 32,420 | 12,104,622 | 0 | 0 | 12,187,042 |
| Extraordinary dividend paid | 0 | 0 | 0 | (4,000,000) | 0 | (4,000,000) |
| Exchange rate adjustments | 0 | (38,044) | 0 | 0 | 0 | (38,044) |
| Profit/loss for the year | 0 | 0 | 8,283,858 | 4,000,000 | 15,000,000 | 27,283,858 |
| **Equity end of year** | **50,000** | **(5,624)** | **20,388,480** | **0** | **15,000,000** | **35,432,856** |

# Consolidated cash flow statement for 2022/23

| | Notes | 2022/23 DKK | 2021/22 DKK |
|---|---|---|---|
| Operating profit/loss | | 31,769,732 | 1,173,350 |
| Amortisation, depreciation and impairment losses | | 1,227,211 | 861,350 |
| Working capital changes | 15 | (38,829,491) | 9,442,057 |
| **Cash flow from ordinary operating activities** | | **(5,832,548)** | **11,476,757** |
| Financial income received | | 5,260,787 | 1,389,748 |
| Financial expenses paid | | (1,900,567) | (5,345,830) |
| Taxes refunded/(paid) | | (41,437) | (271,907) |
| **Cash flows from operating activities** | | **(2,513,765)** | **7,248,768** |
| Acquisition etc. of intangible assets | | (225,459) | (288,000) |
| Acquisition etc. of property, plant and equipment | | (4,805,715) | (4,273,967) |
| Acquisition of fixed asset investments | | (505,745) | (5,189) |
| Sale of fixed asset investments | | 194,562 | 0 |
| Acquisition of enterprises | | 0 | (2,196,500) |
| **Cash flows from investing activities** | | **(5,342,357)** | **(6,763,656)** |
| **Free cash flows generated from operations and investments before financing** | | **(7,856,122)** | **485,112** |
| Repayments of loans etc. | | (238,179) | 0 |
| Dividend paid | | (4,000,000) | 0 |
| Change in bank debt | | 75,405,526 | 5,709,635 |
| **Cash flows from financing activities** | | **71,167,347** | **5,709,635** |
| **Increase/decrease in cash and cash equivalents** | | **63,311,225** | **6,194,747** |
| Cash and cash equivalents beginning of year | | 6,202,747 | 8,000 |
| **Cash and cash equivalents end of year** | | **69,513,972** | **6,202,747** |
| Cash and cash equivalents at year-end are composed of: | | | |
| Cash | | 69,513,972 | 6,202,747 |
| **Cash and cash equivalents end of year** | | **69,513,972** | **6,202,747** |

# Notes to consolidated financial statements

## 1 Staff costs

| | 2022/23 DKK | 2021/22 DKK |
|---|---|---|
| Wages and salaries | 17,898,397 | 11,707,103 |
| Pension costs | 1,983,260 | 1,311,872 |
| Other social security costs | 642,806 | 324,115 |
| Other staff costs | 0 | 328,181 |
| | **20,524,463** | **13,671,271** |

| | | |
|---|---|---|
| Average number of full-time employees | **32** | **23** |

| | Remuneration of management 2022/23 DKK |
|---|---|
| Total amount for management categories | 1,455,287 |
| | **1,455,287** |

No comparative figures for remuneration of Management for 2021/22 according to Årsregnskabsloven §98b part 3.

## 2 Depreciation, amortisation and impairment losses

| | 2022/23 DKK | 2021/22 DKK |
|---|---|---|
| Amortisation of intangible assets | 318,190 | 318,190 |
| Depreciation on property, plant and equipment | 889,762 | 543,160 |
| | **1,207,952** | **861,350** |

## 3 Other financial income

| | 2022/23 DKK | 2021/22 DKK |
|---|---|---|
| Other interest income | 832,745 | 35 |
| Exchange rate adjustments | 6,267,476 | 1,389,713 |
| | **7,100,221** | **1,389,748** |

## 4 Other financial expenses

| | 2022/23 DKK | 2021/22 DKK |
|---|---|---|
| Other interest expenses | 1,258,776 | 263,754 |
| Exchange rate adjustments | 2,171,207 | 499,576 |
| Other financial expenses | 641,791 | 260,673 |
| | **4,071,774** | **1,024,003** |

## 5 Tax on profit/loss for the year

| | 2022/23 DKK | 2021/22 DKK |
|---|---|---|
| Current tax | 7,300,293 | 1,304,250 |
| Change in deferred tax | 36,747 | (75,689) |
| Adjustment concerning previous years | 177,281 | (40,056) |
| | **7,514,321** | **1,188,505** |

## 6 Proposed distribution of profit/loss

| | 2022/23 DKK | 2021/22 DKK |
|---|---|---|
| Ordinary dividend for the financial year | 15,000,000 | 0 |
| Extraordinary dividend distributed in the financial year | 4,000,000 | 0 |
| Retained earnings | 8,283,858 | 350,590 |
| | **27,283,858** | **350,590** |

## 7 Intangible assets

| | Goodwill DKK | Development projects in progress DKK |
|---|---|---|
| Cost beginning of year | 1,590,950 | 4,792,222 |
| Additions | 0 | 225,459 |
| **Cost end of year** | **1,590,950** | **5,017,681** |
| Amortisation and impairment losses beginning of year | (318,190) | 0 |
| Amortisation for the year | (318,190) | 0 |
| **Amortisation and impairment losses end of year** | **(636,380)** | **0** |
| **Carrying amount end of year** | **954,570** | **5,017,681** |

## 8 Development projects

The development projects are expected to be completed in the financial year 2023/24, when products is sold, which is expected during first half of the financial year 2023/24. There are indicators of future positive cash flow from the development projects which exceeds the capitalized costs.

## 9 Property, plant and equipment

| | Land DKK | Other fixtures and fittings, tools and equipment DKK | Leasehold improvements DKK | Property, plant and equipment in progress DKK |
|---|---|---|---|---|
| Cost beginning of year | 2,694,825 | 1,761,231 | 979,324 | 951,650 |
| Exchange rate adjustments | 0 | (71,730) | 0 | 0 |
| Transfers | (2,694,825) | 0 | 0 | (4,334,874) |
| Additions | 0 | 1,140,554 | 281,937 | 3,383,224 |
| **Cost end of year** | **0** | **2,830,055** | **1,261,261** | **0** |
| Depreciation and impairment losses beginning of year | 0 | (863,166) | (528,279) | 0 |
| Exchange rate adjustments | 0 | 35,336 | 0 | 0 |
| Depreciation for the year | 0 | (702,747) | (187,015) | 0 |
| **Depreciation and impairment losses end of year** | **0** | **(1,530,577)** | **(715,294)** | **0** |
| **Carrying amount end of year** | **0** | **1,299,478** | **545,967** | **0** |
| Recognised assets not owned by Entity | - | 81,224 | - | - |

The transfers has been made to assets held for sales under inventory.

## 10 Financial assets

| | Deposits DKK |
|---|---|
| Cost beginning of year | 212,955 |
| Additions | 700,307 |
| Disposals | (194,562) |
| **Cost end of year** | **718,700** |
| **Carrying amount end of year** | **718,700** |

## 11 Deferred tax

| | 2022/23<br>DKK | 2021/22<br>DKK |
|---|---|---|
| Intangible assets | (1,103,890) | (1,054,289) |
| Property, plant and equipment | (81,435) | (133,809) |
| Receivables | (269,408) | (31,674) |
| Liabilities other than provisions | 216,442 | 229,016 |
| Tax losses carried forward | 72,878 | 20,735 |
| Other deductible temporary differences | 174,834 | 44,149 |
| **Deferred tax** | **(990,579)** | **(925,872)** |

| **Changes during the year** | 2022/23<br>DKK | 2021/22<br>DKK |
|---|---|---|
| Beginning of year | (925,872) | (994,299) |
| Recognised in the income statement | (64,707) | 75,689 |
| Exchange rate adjustments | 0 | (7,262) |
| **End of year** | **(990,579)** | **(925,872)** |

| **Deferred tax has been recognised in the balance sheet as follows** | 2022/23<br>DKK | 2021/22<br>DKK |
|---|---|---|
| Deferred tax assets | 355,363 | 177,128 |
| Deferred tax liabilities | (1,345,942) | (1,103,000) |
| | **(990,579)** | **(925,872)** |

**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<br>DKK | Nominal value<br>DKK |
|---|---|---|---|
| Ordinary shares | 5,000 | 100.00 | 50,000 |
| | **5,000** | | **50,000** |

## 14 Non-current liabilities other than provisions

| | Due within 12 months 2022/23 DKK | Due within 12 months 2021/22 DKK | Due after more than 12 months 2022/23 DKK | Outstanding after 5 years 2022/23 DKK |
|---|---|---|---|---|
| Lease liabilities | 0 | 177,886 | 0 | 0 |
| Other payables | 65,187 | 0 | 484,554 | 307,832 |
| | **65,187** | **177,886** | **484,554** | **307,832** |

## 15 Changes in working capital

| | 2022/23 DKK | 2021/22 DKK |
|---|---|---|
| Increase/decrease in inventories | (62,918,550) | (431,679) |
| Increase/decrease in receivables | (12,654,802) | (10,043,735) |
| Increase/decrease in trade payables etc. | 36,743,861 | 19,917,471 |
| | **(38,829,491)** | **9,442,057** |

## 16 Unrecognised rental and lease commitments

| | 2022/23 DKK | 2021/22 DKK |
|---|---|---|
| Total liabilities under rental or lease agreements until maturity | **1,463,683** | **944,458** |

## 17 Contingent assets

The Group has not recognised a tax asset of DKK 977k, 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 146.523 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 |

# Parent income statement for 2022/23

| | Notes | 2022/23 DKK | 2021/22 DKK |
|---|---|---|---|
| **Gross profit/loss** | | **10,958,778** | **232,391** |
| Staff costs | 1 | (2,856,912) | (1,674,237) |
| Depreciation, amortisation and impairment losses | | (120,073) | (111,794) |
| **Operating profit/loss** | | **7,981,793** | **(1,553,640)** |
| Income from investments in group enterprises | | 21,011,150 | 5,396,276 |
| Other financial income | 2 | 2,646,681 | 224,349 |
| Other financial expenses | 3 | (3,128,630) | (294,791) |
| **Profit/loss before tax** | | **28,510,994** | **3,772,194** |
| Tax on profit/loss for the year | 4 | (1,845,189) | 355,182 |
| **Profit/loss for the year** | 5 | **26,665,805** | **4,127,376** |

# Parent balance sheet at 31.03.2023

## Assets

| | Notes | 2022/23<br>DKK | 2021/22<br>DKK |
|---|---|---|---|
| Other fixtures and fittings, tools and equipment | | 309,832 | 367,414 |
| **Property, plant and equipment** | 6 | **309,832** | **367,414** |
| Investments in group enterprises | | 39,530,247 | 24,348,710 |
| Deposits | | 391,635 | 194,562 |
| **Financial assets** | 7 | **39,921,882** | **24,543,272** |
| **Fixed assets** | | **40,231,714** | **24,910,686** |
| Receivables from group enterprises | | 103,387,948 | 8,976,488 |
| Other receivables | | 33,317 | 110,303 |
| Tax receivable | | 184,000 | 0 |
| Joint taxation contribution receivable | | 5,151,166 | 1,235,143 |
| Prepayments | 8 | 199,822 | 236,137 |
| **Receivables** | | **108,956,253** | **10,558,071** |
| **Cash** | | **191,755** | **329,017** |
| **Current assets** | | **109,148,008** | **10,887,088** |
| **Assets** | | **149,379,722** | **35,797,774** |

## Equity and liabilities

| | Notes | 2022/23 DKK | 2021/22 DKK |
|---|---|---|---|
| Contributed capital | | 50,000 | 50,000 |
| Reserve for net revaluation according to equity method | | 18,895,242 | 18,790,014 |
| Retained earnings | | 5,058,529 | (2,322,943) |
| Proposed dividend for the financial year | | 15,000,000 | 0 |
| **Equity** | | **39,003,771** | **16,517,071** |
| Deferred tax | 9 | 101,813 | 81,000 |
| **Provisions** | | **101,813** | **81,000** |
| Bank loans | | 36,399 | 0 |
| Trade payables | | 233,364 | 207,128 |
| Payables to group enterprises | | 99,895,284 | 17,898,629 |
| Payables to owners and management | | 3,237,937 | 1,040,400 |
| Tax payable | | 6,579,135 | 0 |
| Joint taxation contribution payable | | 219,126 | 0 |
| Other payables | | 72,893 | 53,546 |
| **Current liabilities other than provisions** | | **110,274,138** | **19,199,703** |
| **Liabilities other than provisions** | | **110,274,138** | **19,199,703** |
| **Equity and liabilities** | | **149,379,722** | **35,797,774** |
| Unrecognised rental and lease commitments | 10 | | |
| Contingent liabilities | 11 | | |
| Assets charged and collateral | 12 | | |
| Transactions with related parties | 13 | | |

# Parent statement of changes in equity for 2022/23

| | Contributed capital DKK | Reserve for net revaluation according to the equity method DKK | Retained earnings DKK | Proposed extraordinary dividend DKK | Proposed dividend for the year DKK | Total DKK |
|---|---|---|---|---|---|---|
| Equity beginning of year | 50,000 | 18,790,014 | (2,322,943) | 0 | 0 | 16,517,071 |
| Extraordinary dividend paid | 0 | 0 | 0 | (4,000,000) | 0 | (4,000,000) |
| Exchange rate adjustments | 0 | (179,105) | 0 | 0 | 0 | (179,105) |
| Dividends from group enterprises | 0 | (21,500,000) | 21,500,000 | 0 | 0 | 0 |
| Transfer to reserves | 0 | 773,183 | (773,183) | 0 | 0 | 0 |
| Profit/loss for the year | 0 | 21,011,150 | (13,345,345) | 4,000,000 | 15,000,000 | 26,665,805 |
| **Equity end of year** | **50,000** | **18,895,242** | **5,058,529** | **0** | **15,000,000** | **39,003,771** |

Dividends from group enterprises in the statement of changes in equity for 2022 include dividends of DKK 15,000,000 adopted at the Annual General Meeting of Precision Technic Defence A/S where the annual report 2022/23 was approved.

# Notes to parent financial statements

## 1 Staff costs

| | 2022/23<br>DKK | 2021/22<br>DKK |
|---|---|---|
| Wages and salaries | 2,524,128 | 1,433,473 |
| Pension costs | 312,418 | 226,143 |
| Other social security costs | 20,366 | 14,621 |
| | **2,856,912** | **1,674,237** |

| | | |
|---|---|---|
| Average number of full-time employees | **3** | **2** |

| | Remuneration of Manage- ment 2022/23<br>DKK |
|---|---|
| Total amount for management categories | 1,455,287 |
| | **1,455,287** |

No comparative figures for remuneration of Management for 2021/22 according to Årsregnskabsloven §98b part 3.

## 2 Other financial income

| | 2022/23<br>DKK | 2021/22<br>DKK |
|---|---|---|
| Financial income from group enterprises | 2,286,074 | 224,349 |
| Other interest income | 360,607 | 0 |
| | **2,646,681** | **224,349** |

## 3 Other financial expenses

| | 2022/23<br>DKK | 2021/22<br>DKK |
|---|---|---|
| Financial expenses from group enterprises | 3,099,313 | 239,999 |
| Other interest expenses | 29,317 | 54,792 |
| | **3,128,630** | **294,791** |

## 4 Tax on profit/loss for the year

| | 2022/23 DKK | 2021/22 DKK |
|---|---|---|
| Current tax | 1,647,095 | 0 |
| Change in deferred tax | 20,813 | (14,039) |
| Adjustment concerning previous years | 177,281 | 0 |
| Refund in joint taxation arrangement | 0 | (341,143) |
| | **1,845,189** | **(355,182)** |

## 5 Proposed distribution of profit and loss

| | 2022/23 DKK | 2021/22 DKK |
|---|---|---|
| Ordinary dividend for the financial year | 15,000,000 | 0 |
| Extraordinary dividend distributed in the financial year | 4,000,000 | 0 |
| Retained earnings | 7,665,805 | 4,127,376 |
| | **26,665,805** | **4,127,376** |

## 6 Property, plant and equipment

| | Other fixtures and fittings, tools and equipment DKK |
|---|---|
| Cost beginning of year | 575,300 |
| Additions | 62,491 |
| **Cost end of year** | **637,791** |
| Depreciation and impairment losses beginning of year | (207,886) |
| Depreciation for the year | (120,073) |
| **Depreciation and impairment losses end of year** | **(327,959)** |
| **Carrying amount end of year** | **309,832** |

## 7 Financial assets

| | Investments in group enterprises DKK | Deposits DKK |
|---|---|---|
| Cost beginning of year | 5,558,696 | 194,562 |
| Additions | 76,309 | 391,635 |
| Disposals | 0 | (194,562) |
| **Cost end of year** | **5,635,005** | **391,635** |
| Revaluations beginning of year | 18,790,014 | 0 |
| Exchange rate adjustments | (179,105) | 0 |
| Amortisation of goodwill | (318,190) | 0 |
| Share of profit/loss for the year | 21,329,340 | 0 |
| Dividend | (6,500,000) | 0 |
| Investments with negative equity value depreciated over receivables | 773,183 | 0 |
| **Revaluations end of year** | **33,895,242** | **0** |
| **Carrying amount end of year** | **39,530,247** | **391,635** |

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

## 8 Prepayments

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

## 9 Deferred tax

| | 2022/23<br>DKK | 2021/22<br>DKK |
|---|---|---|
| Property, plant and equipment | 57,852 | 81,000 |
| Receivables | 43,961 | 0 |
| **Deferred tax** | **101,813** | **81,000** |

| **Changes during the year** | 2022/23<br>DKK | 2021/22<br>DKK |
|---|---|---|
| Beginning of year | 81,000 | 95,039 |
| Recognised in the income statement | 20,813 | (14,039) |
| **End of year** | **101,813** | **81,000** |

## 10 Unrecognised rental and lease commitments

| | 2022/23<br>DKK | 2021/22<br>DKK |
|---|---|---|
| Total liabilities under rental or lease agreements until maturity | **19,563** | **155,924** |

## 11 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.

## 12 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 34,355k.

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

## 13 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.

**Cost of sales**
Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary 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 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.