2022

LYRAS A/S
Lyngvej 7, DK-9000 Aalborg | CVR No. 40222103

ANNUAL REPORT

The Annual General Meeting adopted the annual report on 22.06.2023

Kurt Ebbe Knudsen
Chairman of the General Meeting

Contents

Entity details

Entity

Lyras A/S
Lyngvej 7
9000 Aalborg

Business Registration No.: 40222103
Registered office: Aalborg
Financial year: 01.01.2022 - 31.12.2022

Board of Directors

Martin Bøge Mikkelsen
Jan Nygaard
Søren Birn
Thomas Videbæk
Karen Angelo Hækkerup

Executive Board

Rasmus Mortensen

Auditors

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

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Lyras A/S for the financial year 01.01.2022 - 31.12.2022.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022.

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.

Aalborg, 22.06.2023

Executive Board

Rasmus Mortensen

Board of Directors

Martin Bøge Mikkelsen

Jan Nygaard

Søren Birn

Thomas Videbæk

Karen Angelo Hækkerup

Independent auditor's report

To the shareholders of Lyras A/S

Opinion

We have audited the financial statements of Lyras A/S for the financial year 01.01.2022 - 31.12.2022, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

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

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Aalborg, 22.06.2023

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Sami Nikolai El-Galaly
State Authorised Public Accountant
Identification No (MNE) mne4279

Management commentary

Primary activities

Who is Lyras?

Lyras is a Danish equipment designer and manufacturer providing a resource-efficient substitute for various existing treatment methods, including pasteurization and microfiltration. Established in 2017, the company was based on the desire to prove that sustainable pasteurization is possible.

Lyras was founded on the ambition to prove that microbial inactivation in opaque liquids could be done efficiently using UV light instead of heat. Microbial inactivation in opaque liquids using UV light had never been successfully done before, because opaque liquid is difficult to shine a light through. For this reason, opaque liquids became the focus of our research.

The development of our raslysation™ technology is built upon evidence-based research and extensive consultation with a range of stakeholders from the dairy, juice, enzymes, blood plasma industries, academia, public health experts and specialists. With our patented raslysation technology Lyras can treat liquid products regardless of transparency and product type.

Because raslysation is based on UV light rather than heat, the treatment leaves characteristics such as taste, color, structure and proteins unaltered while achieving the same microbial inactivation. The technology reduces energy consumption by 60-90 % and water consumption by 60-80%, compared to conventional pasteurization. The treatment extends the shelf life of various liquids and thereby increases the potential for reducing food waste and contamination risks. Lyras' sustainable raslysation solution provides a gentle treatment of liquids with higher uptime and less cleaning, resulting in a simple and more efficient production line without compromising quality or taste.

Our company goal is to:

Purpose: We accelerate the global reduction of CO2, emissions within the processing industry.

Mission: Enabling our customers to achieve energy & water reduction.

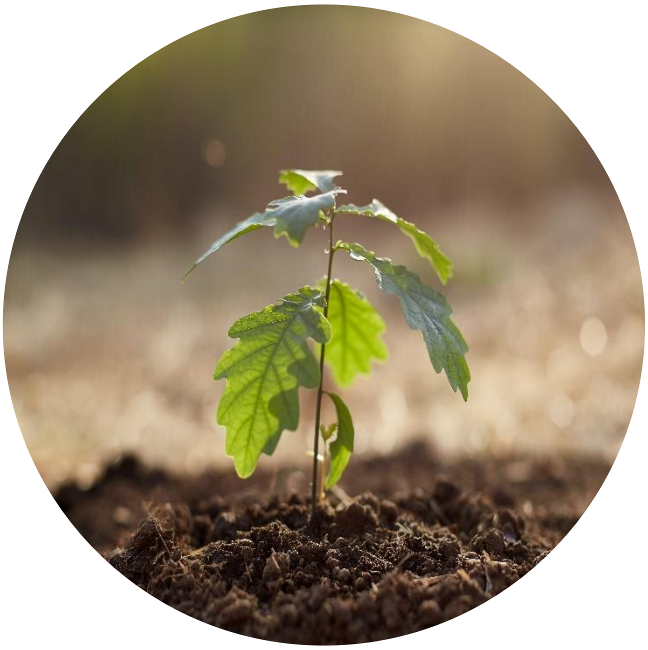
Identity:

Sustainability is a natural part of everything we do. It is the key feature of our technology and a fundamental part of the way we run our business and achieve profitable growth. Sustainability lies in the small choices we make in our day-to-day work as well as in the economic, social, and environmental responsibility we carry.

Quality is achieved through sincere effort, focused direction, and skillful execution. When we strive for a positive change, it can never be at the expense of quality for our customers. Customer adapted solutions space and overall high-quality standards are essential in everything we do, whether it be the quality of our products, our service, or our daily lives.

Innovation is the key ingredient in making clever solutions characterized by scalability, simplicity and quality. We rise to the challenge of creating a better future through innovation; by trying new approaches to reach our goals while working as a team. The technology is here, the possibilities are here, and we dare to do it.

Our work with CSR



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At Lyras, we see CSR as an opportunity to use our skills, expertise, knowledge, and relationships to make a positive difference for our customers, society, and especially the environment.

Sustainability is the core feature of our systems and what leads the way for our technological development. We strive to make a positive change for the environment with our systems. We do this by creating a healthy business founded on a sustainable solution. A solution that solves several problems within the production of liquid foods.

A sustainable industry can only be achieved if we have ambitious common goals. These common goals must be achieved through strong partnerships and cooperations with international partners.

Lyras goal for 2030

By 2030, our equipment will have saved 1,000,000 metric tons of CO_2, equivalent to 180,000 Europeans 'annual use.

Working with ESG and SDG: At Lyras fight to have a high standard for ESG goals as well as setting the bar high to reach our SDG goals. We currently focus on goal no. 6, 7 and 9.

Development in activities and finances

Lyras has strengthened its product program with a new system designed for higher volumes and new types of liquids. Lyras is experiencing a high degree of interest in raslysation across industries, leading to increased demands for raslysation solutions.

Lyras is further strengthening its capitalization to secure capital for the continuous development of Lyras A/S. Please refer to note 1 for elaboration of liquidity situation.

Uncertainty relating to recognition and measurement

Please refer to note 2 for elaboration of uncertainty relating to recognition and measurement regarding deferred tax asset.

Events after the balance sheet date

In June 2023, the current shareholders made a convertible loan to support Lyras' further development.

Apart from the above-mentioned, no events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2022

	Notes	2022 DKK	2021 DKK
Gross profit/loss		**(7,106,723)**	**292,235**
Staff costs	3	(27,819,389)	(12,092,726)
Depreciation, amortisation and impairment losses		(1,588,311)	(791,180)
Operating profit/loss		**(36,514,423)**	**(12,591,671)**
Income from investments in group enterprises		(30,670)	0
Other financial income	4	873	15,000
Other financial expenses	5	(2,837,227)	(1,085,429)
Profit/loss before tax		**(39,381,447)**	**(13,662,100)**
Tax on profit/loss for the year	6	9,025,934	3,099,113
Profit/loss for the year		**(30,355,513)**	**(10,562,987)**
Proposed distribution of profit and loss			
Retained earnings		(30,355,513)	(10,562,987)
Proposed distribution of profit and loss		**(30,355,513)**	**(10,562,987)**

Balance sheet at 31.12.2022

Assets

	Notes	2022 DKK	2021 DKK
Completed development projects	8	13,631,185	9,378,173
Acquired intangible assets		928,751	0
Development projects in progress	8	3,415,268	1,319,171
Intangible assets	7	**17,975,204**	**10,697,344**
Other fixtures and fittings, tools and equipment		2,064,276	1,484,319
Leasehold improvements		1,179,320	1,142,074
Property, plant and equipment	9	**3,243,596**	**2,626,393**
Investments in group enterprises		9,330	40,000
Deposits		901,209	741,209
Financial assets	10	**910,539**	**781,209**
Fixed assets		**22,129,339**	**14,104,946**
Raw materials and consumables		6,694,557	2,302,967
Work in progress		6,027,993	0
Manufactured goods and goods for resale		0	1,067,955
Inventories		**12,722,550**	**3,370,922**
Trade receivables		1,996,630	446,386
Contract work in progress	11	833,056	6,030,163
Receivables from group enterprises		24,358	0
Deferred tax	12	8,865,406	1,397,573
Other receivables		1,132,139	1,262,991
Joint taxation contribution receivable		1,609,133	798,005
Prepayments		1,032,728	182,392
Receivables		**15,493,450**	**10,117,510**
Cash		**14,639,806**	**3,207,892**
Current assets		**42,855,806**	**16,696,324**
Assets		**64,985,145**	**30,801,270**

Equity and liabilities

	Notes	2022 DKK	2021 DKK
Contributed capital		400,000	400,000
Reserve for development expenditure		13,296,233	8,343,928
Retained earnings		1,885,740	(2,806,442)
Equity		**15,581,973**	**5,937,486**
Debt to other credit institutions		8,280,432	6,000,000
Other payables		232,222	232,222
Non-current liabilities other than provisions	13	**8,512,654**	**6,232,222**
Current portion of non-current liabilities other than provisions	13	1,719,568	0
Bank loans		5,501,041	4,616,116
Prepayments received from customers		1,186,450	390,901
Trade payables		3,556,140	3,767,149
Payables to group enterprises		24,900,138	7,897,587
Other payables		2,497,085	1,460,927
Deferred income		1,530,096	498,882
Current liabilities other than provisions		**40,890,518**	**18,631,562**
Liabilities other than provisions		**49,403,172**	**24,863,784**
Equity and liabilities		**64,985,145**	**30,801,270**
Going concern	1		
Uncertainty relating to recognition and measurement	2		
Unrecognised rental and lease commitments	14		
Contingent liabilities	15		
Assets charged and collateral	16		

Statement of changes in equity for 2022

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	400,000	8,343,928	(2,806,442)	5,937,486
Group contributions etc.	0	0	40,000,000	40,000,000
Transfer to reserves	0	4,952,305	(4,952,305)	0
Profit/loss for the year	0	0	(30,355,513)	(30,355,513)
Equity end of year	**400,000**	**13,296,233**	**1,885,740**	**15,581,973**

Notes

1 Going concern

Management of the Lyras DK ApS Group have after the balance sheet date received a convertible loan of DKK 30 m. DKK from its current group of investors.

With the above cash contribution, the Lyras Group will, based on the current financial forecast, be able to meet its obligations for cash for the remainder of 2023 and to some extend into 2024. The budget is not taking into account the liquidity from revenue other than what has already been subject to order confirmation. Additional sales will thus potentially extend the financial leeway.

Based on the above, and the letter of support received by Lyras DK ApS the annual report is prepared under the assumption of going concern.

Management is currently exploring additional funding opportunities, which is expected to further support the liquidity needs by Q4 of 2023. The group is thus still working to ensure financial platform necessary for the Group to reach its corporate and environmental goals.

2 Uncertainty relating to recognition and measurement

The Company's deferred tax asset amounting to DKK 8,865k at the balance sheet date primarily consists of tax loss carryforwards.

Management expects based on its projections that the recognised tax asset can be set off against future taxable income within a period not exceeding five years.
As recognition and valuation are based on expectations for the development over a longer period, the utilisation of the asset is inherently subject to budget uncertainty, but expresses Management's best estimate based on the assumptions at the time of preparing the annual report. On recognition at 31.12.2022, the tax asset has not been written down for impairment.

3 Staff costs

	2022 DKK	2021 DKK
Wages and salaries	26,540,514	11,752,018
Pension costs	843,034	218,170
Other social security costs	435,841	122,538
	27,819,389	**12,092,726**
Average number of full-time employees	**48**	**22**

Of wages and salaries for the year, DKK 3,415k compared to last year's DKK 2,543k has been transferred to manufacture of assets and recognized as own work capitalized.

4 Other financial income

	2022 DKK	2021 DKK
Financial income from group enterprises	873	0
Other interest income	0	15,000
	873	**15,000**

5 Other financial expenses

	2022 DKK	2021 DKK
Financial expenses from group enterprises	1,622,263	254,194
Other interest expenses	847,252	831,235
Exchange rate adjustments	367,712	0
	2,837,227	**1,085,429**

6 Tax on profit/loss for the year

	2022 DKK	2021 DKK
Current tax	(1,583,193)	0
Change in deferred tax	(7,442,741)	(2,301,108)
Refund in joint taxation arrangement	0	(798,005)
	(9,025,934)	**(3,099,113)**

7 Intangible assets

	Completed development projects DKK	Acquired intangible assets DKK	Development projects in progress DKK
Cost beginning of year	9,888,032	0	1,319,171
Transfers	4,934,312	365,358	(5,299,670)
Additions	0	672,013	7,395,767
Cost end of year	**14,822,344**	**1,037,371**	**3,415,268**
Amortisation and impairment losses beginning of year	(509,859)	0	0
Amortisation for the year	(681,300)	(108,620)	0
Amortisation and impairment losses end of year	**(1,191,159)**	**(108,620)**	**0**
Carrying amount end of year	**13,631,185**	**928,751**	**3,415,268**

8 Development projects

Capitalized development costs comprises of direct costs incurred in the development of the Group's technology. In test environments, the company has been successful in supporting the business model, and the capitalized development costs have been invested in creating a scalable prototype. The prototype has been completed and sales has been signed and delivered in the financial year.

Development costs in progress constitutes further development of the same technology to be used on other product types.

9 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	1,660,387	1,290,342
Additions	999,229	416,364
Cost end of year	**2,659,616**	**1,706,706**
Depreciation and impairment losses beginning of year	(176,068)	(148,268)
Depreciation for the year	(419,272)	(379,118)
Depreciation and impairment losses end of year	**(595,340)**	**(527,386)**
Carrying amount end of year	**2,064,276**	**1,179,320**

10 Financial assets

	Investments in group enterprises DKK	Deposits DKK
Cost beginning of year	40,000	741,209
Additions	0	160,000
Cost end of year	**40,000**	**901,209**
Share of profit/loss for the year	(30,670)	0
Impairment losses end of year	**(30,670)**	**0**
Carrying amount end of year	**9,330**	**901,209**

Investments in subsidiaries	**Registered in**	**Corporate form**	**Equity interest %**
Lyras Nordamerika ApS	Aalborg	ApS	100.00
Lyras North America Inc. *	Delaware	Inc.	100.00

*) Lyras North America Inc. is owned through Lyras Nordamerika ApS.

11 Contract work in progress

	2022 DKK	2021 DKK
Contract work in progress	8,330,560	6,030,163
Progress billings regarding contract work in progress	(7,497,504)	0
	833,056	**6,030,163**

12 Deferred tax

Based on budgets, Management has chosen to recognise a tax asset of DKK 8,865k. The tax asset primarily relates to a tax-loss carryforward, which is expected to be used for set-off against future taxable income. Management expects to be able to use the recognised tax asset within a period of 4-5 years as development is completed and the Company's technology is commercialized.

13 Non-current liabilities other than provisions

	Due within 12 months 2022 DKK	Due after more than 12 months 2022 DKK	Outstanding after 5 years 2022 DKK
Debt to other credit institutions	1,719,568	8,280,432	0
Other payables	0	232,222	232,222
	1,719,568	**8,512,654**	**232,222**

14 Unrecognised rental and lease commitments

	2022 DKK	2021 DKK
Liabilities under rental or lease agreements until maturity in total	6,096,817	5,252,805

15 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Lyras Holding ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

16 Assets charged and collateral

Nordjysk Lånefond, Vækstfonden and Danske Bank have registrered company charge as collateral for lending. The value of pledged assets is DKK 44.269k as of 31 December 2022.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of a few provisions for reporting class C.

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

Change in the presentation of financial statements:

According to section 13(5) of the Danish Financial Statements Act, assets, liabilities, costs and income must always be presented as gross amounts, for which reason, as a result of specifications to the Danish Financial Statements Act with effect for the current financial year, Management has chosen to move capitalised payroll costs from staff costs to the item Own work capitalised.

As a result, the item Staff costs is increased by DKK 2,543k in the comparative year.
The item Own work capitalised and gross profit are increased by DKK 2,543k in the comparative year.

For the current financial year, this has the following impact:

- Staff costs are increased by DKK 3,415k
- Own work capitalised is increased by DKK 3,415k.

Profit/loss before tax, tax on profit/loss for the year and profit/loss after tax remain unchanged as a result of the above in the current financial year as well as in the comparative year.

Consolidated financial statements

Referring to section 110 of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Recognition and measurement

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

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

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

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

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

Public grants

Public grants are recognised when a final commitment has been received from the grantor and it is probable that the conditions of the grant will be fulfilled. Grants are recognised as income in the income statement as earned. Grants awarded for acquisition of assets are recognised as deferred income in the balance sheet, which is taken to income on a straight-line basis over the useful life of the asset.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, other operating income and external expenses.

Revenue

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

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Own work capitalised

Own work capitalised comprises staff costs and other costs incurred in the financial year and recognised in cost for proprietary intangible assets and property, plant and equipment.

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.

Staff costs

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

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment, leasehold improvements and intangible assets comprise depreciation for the financial year.

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 interest income.

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

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

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

Balance sheet

Intellectual property rights etc.
Intellectual property rights etc comprise development projects completed, those in progress and acquired intangible assets consisting of companies ERP-systems.

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

The cost of development projects comprises costs that are directly and indirectly attributable to the development projects, likewise is aqurried for acquired intangible assets.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 17-18 years. For acquired intangible assets, the amortisation periods are 4 years.

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

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

Property, plant and equipment
Other fixtures and fittings, tools and equipment and leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

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	5 years
Leasehold improvements	3-5 years

Estimated useful lives and residual values are reassessed annually. Residual values are DKK 0.

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 according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value.

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.

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.

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

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

Contract work in progress
Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

Each contract in progress is recognised in the balance sheet in receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts, and finance costs are recognised in the income statement as incurred.

Deferred tax

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

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

Joint taxation contributions receivable or payable

Current joint taxation contributions payable or joint taxation contributions receivable are recognised in the balance sheet, calculated as tax computed on the taxable income for the year, which has been 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 bank deposits.

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.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.