Dynatest A/S

Tempovej 27, DK-2750 Ballerup

Annual Report for
1 November 2022 - 31 October 2023

CVR No. 40 91 64 58

The Annual Report was presented and adopted at the Annual General Meeting of the company on 16/1 2024

Christian Møller Christensen
Chair of the general meeting

Contents

Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Dynatest A/S for the financial year 1 November 2022 - 31 October 2023.

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

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

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

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

Ballerup, 16 January 2024

Executive Board

Klaus Aude
CEO

Board of Directors

Jesper Rantala Chair	Lars Jensen	Carl Jensen
Christian Møller Christensen	Mette Juhl Jørgensen	

Independent Auditor's report

To the shareholder of Dynatest A/S

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

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

Management's responsibilities for the Financial Statements

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

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

Independent Auditor's report

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

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

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

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

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

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

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

Independent Auditor's report

Trekantområdet, 16 January 2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Lars Almskou Ohmeyer
State Authorised Public Accountant
mne24817

Heidi Bonde
State Authorised Public Accountant
mne42815

Company information

The Company	Dynatest A/S Tempovej 27 DK-2750 Ballerup CVR No: 40 91 64 58 Financial period: 1 November 2022 - 31 October 2023 Municipality of reg. office: Ballerup
Board of Directors	Jesper Rantala, chair Lars Jensen Carl Jensen Christian Møller Christensen Mette Juhl Jørgensen
Executive Board	Klaus Aude
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Herredsvej 32 DK-7100 Vejle

Group Chart

Company	Residence	Ownership
Dynatest A/S	**Denmark**	
Dynatest US Inc	United States	100%
Dynatest North America, Inc.	United States	100%

Financial Highlights

Seen over a 3-year period, the development of the Group is described by the following financial highlights:

	Group		
	2022/23	2021/22	2020/21
	TDKK	TDKK	TDKK
Key figures			
Profit/loss			
Revenue	94,624	101,826	92,393
Gross profit/loss	40,486	37,162	38,482
EBITDA	9,311	5,910	13,593
Depreciation, amortisation and impairment	-1,206	-1,385	-434
Profit/loss of ordinary primary operations	8,105	4,525	13,159
Profit/loss of financial income and expenses	-3,622	1,344	-433
Profit/loss before tax	4,483	5,869	12,726
Tax on profit/loss for the year	1,323	-2,288	-3,120
Net profit/loss	3,160	3,581	9,606
Balance sheet			
Balance sheet total	81,082	80,573	54,769
Investment in property, plant and equipment	888	4,226	0
Equity	23,010	20,811	14,941
Cash flows			
Cash flows from:			
- operating activities	5,669	-6,016	-10,873
- investing activities	-6,671	-10,198	1,847
- financing activities	-4,270	18,754	2,635
Change in cash and cash equivalents for the year	-5,272	2,540	-6,391
Number of employees	57	55	35
Ratios			
Gross margin	42.8%	36.5%	41.7%
Profit margin	8.6%	4.4%	14.2%
Return on assets	10.0%	5.6%	24.0%
Solvency ratio	28.4%	25.8%	27.3%
Return on equity	14.4%	20.0%	128.6%

Management's review

Key activities

Dynatest A/S is a leading international provider of pavement engineering services, equipment and associated unique software used in planning and maintenance of pavements for roads, airport runways and construction. The company also provides pavement engineering consultancy service as well as customer service and support.

Dynatest A/S has its headquarters in Copenhagen, Denmark, with a subsidiary in Florida, United States. The products are marketed globally and sold through the Dynatest companies, agents, and distributors.

Dynatest A/S holds all copyrights, product rights, and production rights to all hardware and software.

Development in the year

The income statement for Dynatest A/S for 2022/23 shows a turnover of DKK 60,516,688 and a result before financial items of DKK 5,582,418.

The Dynatest Group has for 2022/23 achieved a turnover of DKK 94,623,604 and a result before financial items of DKK 8,104,825.

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

It has been a year of development and consolidation on the current product platforms and of initiation of new product platforms via new technologies with increased costs in relation to the budget. At the same time, we have experienced challenges with the global supply chain, both in terms of the consistency of supply and increased prices, which has affected our revenue on basic equipment. We have also experienced a few unprofitable deliveries, which has led to the missing revenue for the year.

The group experienced an increase in profit before financial items from 2021/22 to 2022/23. It shows an improvement in the earning capacity of the Dynatest group, even though the group experienced a decrease in total revenue.

This development indicates a positive trend in terms of earning capacity and results for the Dynatest Group. We have also experienced a few unprofitable deliveries, which has led to the missing expected revenue for the year.

The lack of expected turnover is primarily due to a slowdown in order intake for a period in the spring due to several global circumstances and increased financial costs for customers. In the last 4 months of the financial year, the orders came back, and we made up for a large part of the missing turnover.

It has also been a year with a focus on implementing and specifying our current services, but we have also had great focus on our product platform for pavement equipment and services: “Future pavement equipment.” It is a plan which connects our equipment and pavement analysis with clever city infrastructure.

As a result of logistics and product matters, we have, in the previous year, encountered extraordinary issues with regard to completing deliveries on time. Therefore, focus on supply chain is one of the top priorities. Due to the many initiatives this year, delivery performance, commodity prices, and the flow of goods is close to stabilized, which leaves Dynatest in a good position entering the coming year.

Regardless, management considers the overall results of the year to be satisfactory.

The Group balance sheet per October 31, 2023, shows equity of DKK 23,009,709. The Group solvency ratio is per October 31, 2023, is 28.4%.

Management's review

Operating risks

The company's activities cover development, manufacturing, and delivery of large and complex machines solutions to the industry sector, which imply both technical and contractual risks.

However, in Management's assessment, the company currently has internal systems and procedures to ensure that the activities for the year may be carried out without any significant technical and contractual risks.

Foreign exchange risks

All revenue is in DKK, EUR, and USD. As a result, the company runs a low risk of fluctuations in exchange rates. Attempts are made to hedge the uncertainties in currencies by reducing net positions.

Credit risks

The company's customer portfolio consists primarily of major road directorates, investment banks, as well as larger reputable companies which are considered to have a good credit rating. As part of the tender process, customers are subject to regular credit assessments. Credit risks are sought minimized through payment terms and LoC that reduce exposure.

Targets and expectations for the year ahead

We are optimistic for the year to come, and our expectations for 2023/24 are an increase in turnover of 0% to 20% and an increase in profit before tax (EBT) between 10% to 20%. Given the current order situation and the pipeline at the beginning of the financial year and throughout the year, we have reason to expect this.

Management is convinced that the focus on the green transition will be beneficial for the company's possibilities. More orders are anticipated in the coming years, especially in Europe, North and South America, and India. Most countries across the globe have already accelerated or are accelerating investments in infrastructure. This benefits Dynatest, either through delivery of equipment, service, support.
It is obvious that we have an established and known brand within the industry.

As the leading company within our field, our goal is not to simply keep the position but to strengthen it as well. In 2022/23, we have been preparing and laying the groundwork for massive investments in 2023/24 and the years to come. These are investments in product platforms and globalization with the intention of taking over a larger part of the global market for maintenance of pavements for roads, airport runways, and construction.

Our goal is to remain the leading company worldwide within equipment, data analysis, consulting data, and service for the owners and users of road pavement equipment and the infrastructure behind it.

We have successfully added new partners in China, Thailand, Malaysia, and Indonesia. In the coming year, work will be done to gain a local Dynatest presence in the markets where great development is expected in the need for pavements for roads, airport runways, and construction. The focus areas in 2022/23 remain to be North and South America, India, and Europe.

In the coming year, we will work on mapping of scope 3 environmental impacts and initiatives.

Research and development

In the coming years, we expect to invest substantially in the development of digital solutions and new products which can be applied globally across the company.
Our collaboration with universities entails a steady pipeline of qualified resources. We continuously execute 4-5 projects with students at multiple levels through a controlled process. This has already resulted in subsequent solutions and employments.

Management's review

External environment

The company is aware of its responsibilities in relation to both the external and the internal environment and shows the necessary consideration when performing individual assignments, and in environmental matters, in its services and supplies to customers. The company become ISO 9001 certified in Q2/2023.The UN's SDG goals form the basis for the strategic direction of the company, with the clear objective of contributing with technological solutions that reduce the environmental impact. We become environmentally certified according to ISO 14001 in Q2/2023.

Intellectual capital resources

The company is a knowledge company, and the company's most important resources are the skills and the knowledge possessed by the employees. Competence development and knowledge sharing are key words, and initiatives to attract and retain employees have a high priority. Our collaboration with universities entails a steady pipeline of qualified resources. We continuously execute 3-5 projects with students at multiple levels through a controlled process. This has already resulted in subsequent solutions and employments.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income statement 1 November 2022 - 31 October 2023

	Note	Group		Parent company	
		2022/23	2021/22	2022/23	2021/22
		DKK	DKK	DKK	DKK
Revenue		94,623,604	101,825,738	60,516,688	56,995,511
Other operating income		379,934	0	3,897,580	4,874,070
Expenses for raw materials and consumables		-39,101,149	-48,559,391	-28,042,541	-27,695,786
Other external expenses		-15,416,164	-16,103,894	-11,393,687	-11,027,264
Gross profit		**40,486,225**	**37,162,453**	**24,978,040**	**23,146,531**
Staff expenses	1	-31,175,449	-31,251,952	-18,939,542	-18,792,529
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		-1,205,951	-1,385,316	-456,080	-878,518
Profit/loss before financial income and expenses		**8,104,825**	**4,525,185**	**5,582,418**	**3,475,484**
Income from investments in subsidiaries		0	0	1,247,061	-664,343
Financial income	2	89,571	2,002,968	395,972	2,177,296
Financial expenses	3	-3,711,366	-659,135	-3,017,046	-655,496
Profit/loss before tax		**4,483,030**	**5,869,018**	**4,208,405**	**4,332,941**
Tax on profit/loss for the year	4	-1,322,639	-2,287,765	-1,048,014	-751,688
Net profit/loss for the year	5	**3,160,391**	**3,581,253**	**3,160,391**	**3,581,253**

Balance sheet 31 October 2023

Assets

	Note	Group 2022/23 DKK	Group 2021/22 DKK	Parent company 2022/23 DKK	Parent company 2021/22 DKK
Completed development projects		3,110,056	0	838,701	0
Acquired licenses		0	2,777	0	2,777
Goodwill		0	295,618	0	0
Development projects in progress		11,191,159	5,972,347	11,191,159	3,060,860
Intangible assets	6	**14,301,215**	**6,270,742**	**12,029,860**	**3,063,637**
Other fixtures and fittings, tools and equipment		983,161	3,380,735	983,161	3,380,735
Property, plant and equipment	7	**983,161**	**3,380,735**	**983,161**	**3,380,735**
Investments in subsidiaries	8	0	0	15,956,768	15,671,809
Fixed asset investments		**0**	**0**	**15,956,768**	**15,671,809**
Fixed assets		**15,284,376**	**9,651,477**	**28,969,789**	**22,116,181**
Inventories	9	**18,278,915**	**22,305,461**	**12,877,044**	**13,255,456**
Trade receivables		31,026,660	20,318,360	16,148,010	2,890,058
Contract work in progress	10	12,081,749	18,671,274	4,437,766	17,665,496
Receivables from group enterprises		101,190	81,249	8,722,164	11,358,433
Other receivables		1,620,732	1,630,891	1,167,938	1,245,334
Corporation tax receivable from group enterprises		784,894	499,224	784,894	499,224
Prepayments	11	484,575	723,003	473,238	593,473
Receivables		**46,099,800**	**41,924,001**	**31,734,010**	**34,252,018**
Cash at bank and in hand		**1,418,640**	**6,691,580**	**817,543**	**4,580,485**
Current assets		**65,797,355**	**70,921,042**	**45,428,597**	**52,087,959**
Assets		**81,081,731**	**80,572,519**	**74,398,386**	**74,204,140**

Balance sheet 31 October 2023

Liabilities and equity

		Group		Parent company	
	Note	2022/23	2021/22	2022/23	2021/22
		DKK	DKK	DKK	DKK
Share capital		500,000	500,000	500,000	500,000
Reserve for net revaluation under the equity method		0	0	13,866,568	13,581,609
Reserve for development costs		0	0	9,383,291	2,387,471
Reserve for exchange rate conversion		1,621,230	2,583,332	0	0
Retained earnings		20,888,479	17,728,088	-740,150	4,342,340
Equity		**23,009,709**	**20,811,420**	**23,009,709**	**20,811,420**
Provision for deferred tax	12	3,053,998	1,630,651	3,053,998	1,630,651
Provisions		**3,053,998**	**1,630,651**	**3,053,998**	**1,630,651**
Other payables		220,090	220,090	220,090	220,090
Long-term debt	13	**220,090**	**220,090**	**220,090**	**220,090**
Credit institutions		244,536	329,487	244,536	327,966
Prepayments received from customers		3,263,545	3,427,256	3,098,476	2,344,760
Trade payables		3,733,180	3,672,025	2,766,453	2,032,081
Contract work in progress	10	4,064,402	495,246	0	495,246
Payables to group enterprises		39,363,607	43,529,176	39,410,264	44,770,270
Corporation tax		702,960	3,677,143	0	0
Other payables	13	3,425,704	2,780,025	2,594,860	1,571,656
Short-term debt		**54,797,934**	**57,910,358**	**48,114,589**	**51,541,979**
Debt		**55,018,024**	**58,130,448**	**48,334,679**	**51,762,069**
Liabilities and equity		**81,081,731**	**80,572,519**	**74,398,386**	**74,204,140**

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Statement of changes in equity

Group

	Share capital	Reserve for exchange rate conversion	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 November	500,000	2,583,332	17,728,088	20,811,420
Exchange adjustments relating to foreign entities	0	-962,102	0	-962,102
Net profit/loss for the year	0	0	3,160,391	3,160,391
Equity at 31 October	**500,000**	**1,621,230**	**20,888,479**	**23,009,709**

Parent company

	Share capital	Reserve for net revaluation under the equity method	Reserve for development costs	Retained earnings	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 November	500,000	13,581,609	2,387,471	4,342,340	20,811,420
Exchange adjustments relating to foreign entities	0	-962,102	0	0	-962,102
Development costs for the year	0	0	6,995,820	-6,995,820	0
Net profit/loss for the year	0	1,247,061	0	1,913,330	3,160,391
Equity at 31 October	**500,000**	**13,866,568**	**9,383,291**	**-740,150**	**23,009,709**

Cash flow statement 1 November 2022 - 31 October 2023

	Note	Group 2022/23	Group 2021/22
		DKK	DKK
Result of the year		3,160,391	3,581,253
Adjustments	14	5,020,688	4,618,823
Change in working capital	15	4,268,637	-15,482,926
Cash flow from operations before financial items		**12,449,716**	**-7,282,850**
Financial income		89,571	2,002,968
Financial expenses		-3,711,366	-659,135
Cash flows from ordinary activities		**8,827,921**	**-5,939,017**
Corporation tax paid		-3,159,145	-77,312
Cash flows from operating activities		**5,668,776**	**-6,016,329**
Purchase of intangible assets		-9,005,886	-5,972,347
Purchase of property, plant and equipment		-887,849	-4,225,919
Sale of property, plant and equipment		3,222,480	0
Cash flows from investing activities		**-6,671,255**	**-10,198,266**
Repayment of loans from credit institutions		-84,951	0
Repayment of payables to group enterprises		-4,185,510	0
Raising of loans from credit institutions		0	201,545
Raising of payables to group enterprises		0	18,552,010
Cash flows from financing activities		**-4,270,461**	**18,753,555**
Change in cash and cash equivalents		**-5,272,940**	**2,538,960**
Cash and cash equivalents at 1 November		6,691,580	4,152,620
Cash and cash equivalents at 31 October		**1,418,640**	**6,691,580**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		1,418,640	6,691,580
Cash and cash equivalents at 31 October		**1,418,640**	**6,691,580**

Notes to the Financial Statements

	Group		Parent company	
	2022/23	2021/22	2022/23	2021/22
	DKK	DKK	DKK	DKK
1. Staff Expenses				
Wages and salaries	27,284,169	27,320,275	16,482,136	16,533,660
Pensions	2,519,594	2,403,772	2,242,598	2,064,683
Other social security expenses	1,371,686	1,527,905	214,808	194,186
	31,175,449	**31,251,952**	**18,939,542**	**18,792,529**
Including remuneration to the Executive Board and Board of Directors:				
Executive board	1,819,338		1,819,338	
Board of directors	75,000		75,000	
	1,894,338		**1,894,338**	
Average number of employees	**57**	**55**	**29**	**28**

The incentive scheme offered to the company's employees provides the option of issuing new shares, in the period up to 30 April 2025, of up to 2,2% of the current share capital at a subscription price of DKK 20 at a nominal price of DKK 1. A Hurdle rate of 8% per year is added to the subscription price until the warrants are exercised. There have not been granted new warrants during the year and the outstanding number at 31 October 2023 is 10.856.

Incentive programmes are not recognised in the Financial Statements.

	Group		Parent company	
	2022/23	2021/22	2022/23	2021/22
	DKK	DKK	DKK	DKK
2. Financial income				
Interest received from group enterprises	0	0	381,076	185,934
Other financial income	89,571	0	14,896	0
Exchange gains	0	2,002,968	0	1,991,362
	89,571	**2,002,968**	**395,972**	**2,177,296**

Notes to the Financial Statements

3. Financial expenses

	Group		Parent company	
	2022/23	2021/22	2022/23	2021/22
	DKK	DKK	DKK	DKK
Interest paid to group enterprises	2,068,025	619,070	2,068,025	619,070
Other financial expenses	704,020	40,065	10,159	36,426
Exchange loss	939,321	0	938,862	0
	3,711,366	**659,135**	**3,017,046**	**655,496**

4. Income tax expense

	Group		Parent company	
	2022/23	2021/22	2022/23	2021/22
	DKK	DKK	DKK	DKK
Current tax for the year	-90,619	228,875	-784,894	-499,224
Deferred tax for the year	1,423,347	1,250,912	1,423,347	1,250,912
Adjustment of tax concerning previous years	-10,089	807,978	409,561	0
	1,322,639	**2,287,765**	**1,048,014**	**751,688**

5. Profit allocation

	Parent company	
	2022/23	2021/22
	DKK	DKK
Reserve for net revaluation under the equity method	1,247,061	-664,343
Retained earnings	1,913,330	4,245,596
	3,160,391	**3,581,253**

Notes to the Financial Statements

6. Intangible fixed assets

Group

	Completed development projects	Acquired licenses	Goodwill	Development projects in prog-ress
	DKK	DKK	DKK	DKK
Cost at 1 November	0	100,000	1,520,375	5,972,347
Exchange adjustment	0	0	0	-185,879
Additions for the year	0	0	0	9,005,886
Transfers for the year	3,601,195	0	0	-3,601,195
Cost at 31 October	3,601,195	100,000	1,520,375	11,191,159
Impairment losses and amortisation at 1 November	0	97,223	1,224,757	0
Amortisation for the year	491,139	2,777	295,618	0
Impairment losses and amortisation at 31 October	491,139	100,000	1,520,375	0
Carrying amount at 31 October	**3,110,056**	**0**	**0**	**11,191,159**
Amortised over	3-5 years	8 years	3 years	

Development projects relate to the further development of equipment within the company's existing product area. The products are already on the market. The equipment will be sold in the current and new markets to both the company's existing customers and new ones. There is, and is expected, to be a great demand for the products in the coming years.

Notes to the Financial Statements

Parent company

	Completed development projects	Acquired licenses	Develop-ment projects in progress
	DKK	DKK	DKK
Cost at 1 November	0	100,000	3,060,860
Additions for the year	0	0	9,005,886
Transfers for the year	875,587	0	-875,587
Cost at 31 October	875,587	100,000	11,191,159
Impairment losses and amortisation at 1 November	0	97,223	0
Amortisation for the year	36,886	2,777	0
Impairment losses and amortisation at 31 October	36,886	100,000	0
Carrying amount at 31 October	**838,701**	**0**	**11,191,159**
Amortised over	3-5 years	8 years	

Development projects relate to the further development of equipment within the company's existing product area. The products are already on the market. The equipment will be sold in the current and new markets to both the company's existing customers and new ones. There is, and is expected, to be a great demand for the products in the coming years.

Notes to the Financial Statements

7. Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment
	DKK
Cost at 1 November	4,225,919
Additions for the year	887,849
Disposals for the year	-3,452,803
Cost at 31 October	1,660,965
Impairment losses and depreciation at 1 November	845,184
Depreciation for the year	416,417
Impairment and depreciation of sold assets for the year	-583,797
Impairment losses and depreciation at 31 October	677,804
Carrying amount at 31 October	**983,161**
Amortised over	3-5 years

Parent company

	Other fixtures and fittings, tools and equipment
	DKK
Cost at 1 November	4,225,919
Additions for the year	887,849
Disposals for the year	-3,452,803
Cost at 31 October	1,660,965
Impairment losses and depreciation at 1 November	845,184
Depreciation for the year	416,417
Impairment and depreciation of sold assets for the year	-583,797
Impairment losses and depreciation at 31 October	677,804
Carrying amount at 31 October	**983,161**
Amortised over	3-5 years

	Parent company	
	2022/23	2021/22
	DKK	DKK

8. Investments in subsidiaries

	2022/23 DKK	2021/22 DKK
Cost at 1 November	2,090,200	2,090,200
Cost at 31 October	2,090,200	2,090,200
Value adjustments at 1 November	13,581,609	11,956,377
Exchange adjustment	-962,102	2,289,574
Net profit/loss for the year	1,542,678	-157,546
Amortisation of goodwill	-295,617	-506,796
Value adjustments at 31 October	13,866,568	13,581,609
Carrying amount at 31 October	**15,956,768**	**15,671,809**
Positive differences arising on initial measurement of subsidiaries at net asset value	2,283,384	2,283,384
Remaining positive difference included in the above carrying amount at 31 October	0	295,617

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Ownership
Dynatest US Inc	United States	100%
Dynatest North America, Inc.	United States	100%

	Group		Parent company	
	2022/23	2021/22	2022/23	2021/22
	DKK	DKK	DKK	DKK

9. Inventories

	Group 2022/23 DKK	Group 2021/22 DKK	Parent company 2022/23 DKK	Parent company 2021/22 DKK
Raw materials and consumables	12,448,638	14,460,267	7,699,613	7,524,181
Work in progress	3,231,344	4,646,539	2,641,908	2,586,940
Finished goods and goods for resale	2,598,933	3,198,655	2,535,523	3,144,335
	18,278,915	**22,305,461**	**12,877,044**	**13,255,456**

Notes to the Financial Statements

	Group		Parent company	
	2022/23	2021/22	2022/23	2021/22
	DKK	DKK	DKK	DKK
10. Contract work in progress				
Selling price of work in progress	26,803,882	34,471,766	6,108,659	20,706,260
Payments received on account	-18,786,535	-16,295,738	-1,670,893	-3,536,010
	8,017,347	**18,176,028**	**4,437,766**	**17,170,250**
Recognised in the balance sheet as follows:				
Contract work in progress recognised in assets	12,081,749	18,671,274	4,437,766	17,665,496
Prepayments received recognised in debt	-4,064,402	-495,246	0	-495,246
	8,017,347	**18,176,028**	**4,437,766**	**17,170,250**

11. Prepayments

Accruals are made up of prepaid costs relating to rent and other costs.

	Group		Parent company	
	2022/23	2021/22	2022/23	2021/22
	DKK	DKK	DKK	DKK
12. Provision for deferred tax				
Deferred tax liabilities at 1 November	1,630,651	379,739	1,630,651	379,739
Amounts recognised in the income statement for the year	1,423,347	1,250,912	1,423,347	1,250,912
Deferred tax liabilities at 31 October	**3,053,998**	**1,630,651**	**3,053,998**	**1,630,651**

Notes to the Financial Statements

13. Long-term debt

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

The debt falls due for payment as specified below:

	Group		Parent company	
	2022/23	2021/22	2022/23	2021/22
	DKK	DKK	DKK	DKK
Other payables				
After 5 years	220,090	220,090	220,090	220,090
Long-term part	220,090	220,090	220,090	220,090
Other short-term payables	3,425,704	2,780,025	2,594,860	1,571,656
	3,645,794	**3,000,115**	**2,814,950**	**1,791,746**

14. Cash flow statement - Adjustments

	Group	
	2022/23	2021/22
	DKK	DKK
Financial income	-89,571	-2,002,968
Financial expenses	3,711,366	659,135
Depreciation, amortisation and impairment losses, including losses and gains on sales	852,477	1,385,316
Tax on profit/loss for the year	1,322,639	2,287,765
Exchange adjustments	-776,223	2,289,575
	5,020,688	**4,618,823**

15. Cash flow statement - Change in working capital

	Group	
	2022/23	2021/22
	DKK	DKK
Change in inventories	4,026,546	-578,779
Change in receivables	-3,870,188	-14,565,702
Change in trade payables, etc	4,112,279	-338,445
	4,268,637	**-15,482,926**

Notes to the Financial Statements

16. Contingent assets, liabilities and other financial obligations

The Group has assumed lease commitments amounting, as at the balance sheet date to DKK 221,831.
The Group has assumed rent obligations amounting, as at the balance sheet date to DKK 9,206,345.
The parent has assumed lease commitments amounting, as at the balance sheet date to DKK 221,831.
The parent has assumed rent obligations amounting, as at the balance sheet date to DKK 660,543.

Other contingent liabilities

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

17. Related parties and disclosure of consolidated financial statements

	Basis
Controlling interest	
Eltronic Group A/S	Principal shareholder

Transactions

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

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company:

Name	Place of registered office
Eltronic Group A/S	DK-8722 Hedensted

18. Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

19. Accounting policies

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

The accounting policies applied remain unchanged from last year.

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

Recognition and measurement

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

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

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

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

Basis of consolidation

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

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

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

Business combinations

Business acquisitions carried through on or after 1 July 2018

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

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

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

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

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

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

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

Leases

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

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

Incentive schemes

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

Income statement

Net sales

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

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

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

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

Expenses for raw materials and consumables

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

Other external expenses

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

Other external expenses also include research and development costs that do not qualify for capitalisation.

Staff expenses

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

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

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

Financial income and expenses

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

Tax on profit/loss for the year

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

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

Notes to the Financial Statements

Balance sheet

Intangible fixed assets

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life of 3 years, determined on the basis of Management's experience with the individual business areas. The depreciation period is longest for strategically acquired companies with a strong market position and long earnings profile.

Development projects

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

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

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

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item 'Reserve for development costs'. The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 5 year.

Other intangible fixed assets

Patents and licences are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Patents are amortised over the remaining patent period or a shorter useful life. The amortisation period is 8 years. Software licences are amortised over the period of the agreements, which is 8 years.

Property, plant and equipment

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

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

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

Other fixtures and fittings, tools and equipment	3-5 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Goodwill, head office buildings and other assets for which a separate value in use cannot be determined as the asset does not on an individual basis generate future cash flows are reviewed for impairment together with the group of assets to which they are attributable.

Investments in subsidiaries

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

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

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

Inventories

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

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

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

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

Receivables

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

Contract work in progress

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

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

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

Prepayments

Prepayments comprise prepaid expenses concerning rent and other costs as well.

Deferred tax assets and liabilities

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

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

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

Current tax receivables and liabilities

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

Financial debts

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

Cash Flow Statement

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

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

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

Cash and cash equivalents

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

Notes to the Financial Statements

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

Financial Highlights

Explanation of financial ratios

Gross margin	Gross profit x 100 / Revenue
Profit margin	Profit/loss of ordinary primary operations x 100 / Revenue
Return on assets	Profit/loss of ordinary primary operations x 100 / Total assets at year end
Solvency ratio	Equity at year end x 100 / Total assets at year end
Return on equity	Net profit for the year x 100 / Average equity