Flux A/S

Industrivangen 5, 4550 Asnæs

Annual Report

1 April 2017 - 31 March 2018

The Annual Report has been presented and adopted at the Company's Annual General Meeting on 16 August 2018

Simon Gibbins

CVR no. 73 29 77 10

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COMPANY DETAILS

Company	Flux A/S Industrivangen 5 4550 Asnæs	
	CVR no.:	73 29 77 10
	Established:	30 June 1983
	Registered Office:	Copenhagen
	Financial Year:	1 April 2017 - 31 March 2018
Board of Directors	Simon Mark Gibbins, Chairman Georges René Gener Claus Per Schleiter	
Board of Executives	Claus Per Schleiter	
Auditor	Pricewaterhousecoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup	

STATEMENT BY BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

Today the Board of Directors and Board of Executives have discussed and approved the Annual Report of Flux A/S for the year 1 April 2017 - 31 March 2018.

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 Company's financial position at 31 March 2018 and of the results of the Company's operations for the financial year 1 April 2017 - 31 March 2018.

The Management's Review includes in our opinion a fair presentation of the matters dealt with in the review.

We recommend the Annual Report be approved at the Annual General Meeting.

Copenhagen, 16 August 2018

Board of Executives

Claus Schleiter

Claus Per Schleiter

Board of Directors

Simon Mark Gibbins Chairman	Georges René Gener	Claus Per Schleiter

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Flux A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 March 2018, and of the results of the Company's operations and cash flows for the financial year 1 April 2017 - 31 March 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Flux A/S for the financial year 1 April 2017 - 31 March 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 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 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 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 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 judgment 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 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 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 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.

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.

Hellerup, 16 August 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jan Wright
State Authorised Public Accountant
mne 10053

FINANCIAL HIGHLIGHTS

	2017/18 DKK('000)	2016/17 DKK('000)	2016 (3 Months) DKK('000)	2015 DKK('000)	2014 DKK('000)
Income statement					
Net revenue	89.620	87.385	22.090	78.669	83.098
Gross profit/loss	22.901	21.734	4.319	15.781	17.340
Operating profit/loss	6.187	5.591	2.031	5.250	6.546
Financial income and expenses, net	-1.221	205	-50	-3.819	-731
Profit/loss for the year	3.818	4.474	1.544	1.329	5.373
Balance sheet					
Balance sheet total	58.537	56.087	53.504	51.026	47.621
Equity	36.056	25.957	21.484	20.520	25.169
Investment in tangible assets	650	548	-	361	1.505
Average number of full-time employees	55	49	46	52	49
Ratios					
Gross margin	25,6	24,9	19,6	20,1	20,9
Solvency ratio	61,6	46,3	40,2	40,2	52,9
Return on equity	12,3	18,9	7,4	5,8	25,6
Operating margin	6,9	6,4	9,2	6,7	7,9
Return of investment	10,8	10,2	3,9	10,6	12,8

The comparative figures have not been adjusted for the change of policy for the years 2015 - 2014 with respect to the change in the accounting policies.

The ratios stated in the list of key figures and ratios have been calculated as follows:

Gross margin: $\dfrac{\text{Gross profit x 100}}{\text{Net revenue}}$

Solvency ratio: $\dfrac{\text{Equity at year end x 100}}{\text{Total equity and liabilities, at year end}}$

Return on equity: $\dfrac{\text{Profit/loss after tax x 100}}{\text{Average equity}}$

Operating margin: $\dfrac{\text{Operating profit x 100}}{\text{Net revenue}}$

Return of investment: $\dfrac{\text{Operating profit x 100}}{\text{Average assets}}$

The ratios follow in all material respects the recommendations of the Danish Finance Society.

MANAGEMENT'S REVIEW

Principal activities
The Flux Group's primary activity is to design and manufacture customised magnetic components for use across the range of industrial, high reliability and space grade applications.

Design and manufacturing take place in the Company and in the subsidiary in Thailand, whereas the Company handles sales and marketing.

New products and technologies are developed in close cooperation with Flux A/S's customers as well as with research institutions.

Flux Group is part of the discoverIE Group plc, a leading international supplier of customised electronics.

Development in activities and financial position
Net profit for the year amounts to DKK 3,8 mill. which is considered satisfactory.
This year's revenue is up 3% compared to previous year.

The Company is involved in development projects with companies, institutions and universities in order to develop, exploit and commercialize own patents.

As part of the discoverIE Group plc, Flux A/S has access to a base of over 25.000 customers, many of whom have a requirement for products that can operate to a higher reliability standard in a harsh environment.

Investments
Intangible assets
During the years the Company has made investments in intangible assets related to development projects.

Technology
For Flux Group to be able to maintain and expand its market position, further development of the underlying technologies is essential on a current basis. In the financial year, the Company continued its investments in new technology and development through collaboration with customers as well as with the Technical University of Denmark.

Significant events after the end of the financial year
There are no significant events after the end of the financial year.

Special risks
Business risks
Flux Group's main business risk is associated with the ability of being strongly positioned in relation to the selected markets and customers who demand Flux Group's products and services. It is therefore important to be at the forefront of the technological development in the business areas and to being able to manufacture at cost competitive levels.

Financial risks
The Company manages financial risks and coordinates Flux Group's cash management, including funding, with the discoverIE Group.

Credit risks
Flux Group is not exposed to major risks from single customers or partners. All major customers and other partners are subject to ongoing credit rating.

MANAGEMENT'S REVIEW

Liquidity
The Company is firmly based, with a solvency ratio of 62%.

No uncertainty connected with recognition or measurement has been identified.
No unusual matters affecting the recognition or measurement has been identified.

Know-how
The Company has several patents and specific know-how in producing special products which are important to the future performance of the company.

Environmental
The company try to reduce the impact on the external enviroment as much as possible. The Company sorts and disposes waste according to the environmental regulations. The company is working on a environmental policy.

Research and development
The company has developed patents, which are expected to be utilized in the coming years, and the company develops new products together with its customers.

Future expectations
Management expects that the demand for the Flux Group's products will increase in certain fields of the Electronics industry.

INCOME STATEMENT 1 APRIL - 31 MARCH

	Note	2017/18 DKK	2016/17 DKK
NET REVENUE		**89.619.826**	**87.385.254**
Production costs	1	-66.718.492	-65.651.176
GROSS PROFIT/LOSS		**22.901.334**	**21.734.078**
Distribution costs	1	-6.641.285	-6.765.891
Administrative expenses	1	-10.073.125	-9.377.134
OPERATING PROFIT		**6.186.924**	**5.591.053**
Financial income	2	75.338	673.158
Financial expenses	3	-1.296.472	-467.954
PROFIT BEFORE TAX		**4.965.790**	**5.796.257**
Tax on profit/loss for the year	4	-1.148.009	-1.322.507
PROFIT FOR THE YEAR.	**5**	**3.817.781**	**4.473.750**

BALANCE SHEET AT 31 MARCH

ASSETS	Note	2018 DKK	2017 DKK
Development projects completed		632.677	1.164.375
Intangible fixed assets acquired		637.329	665.620
Intangible fixed assets	6	**1.270.006**	**1.829.995**
Production plant and machinery		110.739	117.948
Other plant, machinery, tools and equipment		400.241	425.853
Leasehold improvements		499.439	179.361
Tangible fixed assets	7	**1.010.419**	**723.162**
Investments in subsidiaries		9.573.484	9.573.484
Receivables from group enterprises		437.500	437.500
Rent deposit and other receivables		204.894	204.894
Fixed asset investments	8	**10.215.878**	**10.215.878**
FIXED ASSETS		**12.496.303**	**12.769.035**
Raw materials and consumables		3.245.972	3.217.557
Work in progress		1.176.204	1.499.535
Finished goods and goods for resale		7.324.250	5.532.602
Inventories		**11.746.426**	**10.249.694**
Trade receivables		19.023.021	18.115.005
Receivables from group enterprises		13.994.833	14.603.329
Other receivables		943.363	0
Prepayments	9	319.574	337.276
Receivables		**34.280.791**	**33.055.610**
Cash and cash equivalents		**13.078**	**13.084**
CURRENT ASSETS		**46.040.295**	**43.318.388**
ASSETS		**58.536.598**	**56.087.423**

BALANCE SHEET AT 31 MARCH

EQUITY AND LIABILITIES	Note	2018 DKK	2017 DKK
Share capital	10	2.100.000	2.000.000
Reserve for development costs		325.085	420.428
Retained profit		33.631.146	23.536.958
EQUITY		**36.056.231**	**25.957.386**
Provision for deferred tax.	11	214.491	311.680
PROVISION FOR LIABILITIES		**214.491**	**311.680**
Payables to group enterprises		10.000.000	10.000.000
Long-term liabilities	12	**10.000.000**	**10.000.000**
Trade payables		2.329.937	2.027.453
Payables to group enterprises		5.277.095	11.477.603
Corporation tax		1.245.194	1.295.250
Other liabilities		3.413.650	5.018.051
Current liabilities		**12.265.876**	**19.818.357**
LIABILITIES		**22.265.876**	**29.818.357**
EQUITY AND LIABILITIES		**58.536.598**	**56.087.423**

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EQUITY

	Share capital	Reserve for development costs	Retained profit	Total
Equity at 1 April 2017.................................	2.000.000	420.428	23.536.958	25.957.386
Capital increase by conversion of debt.....	100.000		6.181.064	6.281.064
Proposed distribution of profit.................			3.817.781	3.817.781
Carried forward to provision for development costs..................................		-95.343	95.343	-
Equity at 31 March 2018.........................	**2.100.000**	**325.085**	**33.631.146**	**36.056.231**

NOTES

	2017/18 DKK	2016/17 DKK	Note
Staff costs			1
Average number of employees 55 (2016/17: 49)			
Wages and salaries	24.207.965	22.362.919	
Pensions	954.078	650.417	
Social security costs	256.044	258.702	
Other staff costs	251.366	206.880	
	25.669.453	**23.478.917**	

By reference to section 98B(3), (ii), of the Danish Financial Statements Act, remuneration to management is not disclosed.

	2017/18 DKK	2016/17 DKK	Note
Financial income			2
Group enterprises	68.575	133.575	
Other interest income	6.763	539.583	
	75.338	**673.158**	
Financial expenses			3
Group enterprises	405.556	405.556	
Other interest expenses	890.916	62.398	
	1.296.472	**467.954**	
Tax on profit/loss for the year			4
Calculated tax on taxable income of the year	1.245.194	1.295.250	
Adjustment of tax for previous years	4	45.577	
Adjustment of deferred tax.	-97.189	-18.320	
	1.148.009	**1.322.507**	
Proposed distribution of profit			5
Accumulated profit	3.817.781	4.473.750	
	3.817.781	**4.473.750**	

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Intangible fixed assets 6

	Development projects completed	Intangible fixed assets acquired
Cost at 1 April 2017	3.854.750	1.006.790
Additions	-	200.701
Cost at 31 March 2018	**3.854.750**	**1.207.491**
Amortisation at 1 April 2017	2.690.375	341.170
Depreciation for the year	531.698	228.992
Depreciation at 31 March 2018	**3.222.073**	**570.162**
Carrying amount at 31 March 2018	**632.677**	**637.329**

Tangible fixed assets 7

	Production plant and machinery	Other plant, machinery, tools and equipment	Leasehold improvements
Cost at 1 April 2017	4.210.677	2.737.169	196.409
Additions	92.018	177.411	380.982
Disposals	-	-	-
Cost at 31 March 2018	**4.302.695**	**2.914.580**	**577.391**
Amortisation at 1 April 2017	4.092.729	2.311.316	17.048
Reversal of depreciation of assets disposed of	-	-	-
Depreciation for the year	99.227	203.023	60.904
Depreciation at 31 March 2018	**4.191.956**	**2.514.339**	**77.952**
Carrying amount at 31 March 2018	**110.739**	**400.241**	**499.439**

NOTES

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Fixed asset investments — 8

	Investment in subsidiaries	Receivables from group enterprises	Rent deposit and other receivables
Cost at 1 April 2017	9.573.484	437.500	204.894
Additions	-	-	-
Disposals	-	-	-
Cost at 31 March 2018	**9.573.484**	**437.500**	**204.894**

Investments in subsidiaries (DKK)

Name and registered office	Equity	Profit/loss for the year	Ownership
Flux International Limited, Bangchalong, Bangplee, Thailand	9.135.269	66.898	100%

	2017/18 DKK	2016/17 DKK	Note
Prepayments			9
Insurances	123.984	92.539	
Other prepayments	195.590	244.737	
	319.574	**337.276**	
Share capital			10
Specification of the share capital:			
Shares, 2.100 in the denomination of 1.000 DKK	2.100.000	2.000.000	
	2.100.000	**2.000.000**	

The costs related to the increase of the capital amounted to DKK12k

Provision for deferred tax — 11

Provision for deferred tax comprises deferred tax on contract work in progress, inventory and intangible and tangible fixed assets.

	2017/18 DKK	2016/17 DKK
Deferred tax at 1 April	311.680	330.000
Adjustment of deferred tax	-97.189	-18.320
Provision for deferred tax 31 March	**214.491**	**311.680**

NOTES

Note

Long-term liabilities — 12

	1/4 2017 total liabilities	31/3 2018 total liabilities	Repayment next year	Debt outstanding after 5 years
Payables to group enterprises ..	10.000.000	10.000.000	0	10.000.000
	10.000.000	**10.000.000**	**0**	**10.000.000**

Contingencies etc. — 13

Contingent liabilities
Rent and lease liabilities include a rent obligation totalling DKK 1.923 thousand (2016/17: DKK 2.723 thousand) interminable rent agreements with remaining contract terms next year. Furthermore, the company has liabilities under operating leases for cars and IT equipment DKK 1.044 thousand (2016/17: DKK 645 thousand), with remaining contract terms of 0.5—3.0 years.

Joint liabilities
The company is jointly and severally liable together with the parent company and the other group companies in the jointly taxed group for tax on the group's jointly taxed income and for certain possible withholding taxes such as dividend tax and royalty tax, and for the joint registration of VAT.

Tax payable of the group's jointly taxed income is stated in the annual report of Noratel Denmark A/S, which serves as management company for the joint taxation.

Charges and securities — 14

The Company has not placed any assets or other as security for loans at 31 March 2018.

Related parties — 15

Parties exercising control
Acal Europe Holding B.V., Holland

Transactions with related parties

	2017/18	2016/17
Revenue	3.112.000	2.348.000
Cost of sales	44.121.000	50.268.000
Expenses	596.000	552.000
Interest expenses	406.000	405.000
Interest income	69.000	134.000
Instalment	1.683.000	1.625.000

Significant events after the end of the financial year — 16

There are no significant events after the end of the financial year

Consolidated financial statements — 17

The Company is included in the consolidated financial statements of discoverIE Group plc (England) the consolidated financial statement can be obtained by contacting the Company or by visiting the Company's website http://www.discoverieplc.com/discoverie/en/home.

ACCOUNTING POLICIES

The annual report of Flux A/S for 2017/18 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, medium enterprise.

Consolidated financial statements

Consolidated financial statements have not been prepared because the group fulfils the exemption provisions of section 112 of the Danish Financial Statements Act on sub-groups. The company is included in the consolidated financial statements of discoverIE Group plc.

INCOME STATEMENT

Net revenue
Net revenue from sale of merchandise and finished goods is recognised in the Income Statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

Production costs
Production costs comprise costs, including wages and salaries and write-off, incurred to achieve the net revenue for the year. Commercial enterprises recognise cost of sales, and the manufacturing enterprises recognise production costs equal to the revenue for the year, including direct and indirect costs of raw materials and consumables, wages and salaries, rent and leasing and depreciation of production plant.

Amortisation of capitalised development and research costs and the development costs that do not fulfil the criteria for capitalisation are also recognised in production costs.

Impairment losses are recognised in connection with expected losses on project contracts.

Distribution costs
The costs incurred for distribution of goods sold during the year and for sales campaigns carried out during the year are recognised in distribution costs. The costs of the sales personnel, advertising and exhibition costs and amortisation are also recognised in distribution costs.

Administrative expenses
Administrative expenses recognise costs incurred during the year regarding management and administration of the group, inclusive of costs relating to the administrative staff, executives, office premises, office expenses etc. and related amortisation.

Investments in subsidiaries and associates
Dividend from subsidiary and associated enterprise is recognised as income in the financial year when the dividend is declared.

Financial income and expenses in general
Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax—on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

Tax on profit for the year
The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

ACCOUNTING POLICIES

BALANCE SHEET

Intangible fixed assets
Patents are measured at the lower of cost less accumulated amortisation or the recoverable amount. Patents are amortised over the residual patent term and licences are amortised over the term of the agreement, however, no more than 5 years.

Development costs comprise costs, including wages and salaries, and amortisation, which directly or indirectly can be related to the company's development activities and which fulfil the criteria for recognition.

Capitalised development costs are measured at the lower of cost less accumulated amortisation or recoverable amount.

Capitalised development costs are amortised on a straight-line basis over the estimated useful life after completion of the development work. The amortisation period is normally 5 years.

Intangible fixed assets are generally written down to the lower of recoverable value and carrying amount.

Profit or loss from sale of intangible fixed assets is calculated at the difference between the sales price and the carrying amount at the time of the sale. Profit and loss are recognised in the Income Statement under other operating income or other operating expenses.

Tangible fixed assets
Land and buildings, production plant and machinery, other plants, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used. As regards self-manufactured assets, the cost price includes cost of materials, components, subcontractors, direct payroll and indirect production costs.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Production plant and machinery	5-10 years	0
Other plants, fixtures and equipment	3-5 years	0
Leasehold improvements	10 years	0

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Revaluation of residual value (scrap value) and depreciation period are performed annually.

Investments in subsidiaries
Investments in subsidiaries and associates are measured at cost. If the cost exceeds the net realisable value, this is written down to the lower value.

ACCOUNTING POLICIES

Impairment of fixed assets
The carrying amount of intangible fixed and tangible assets together with fixed assets, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the net realisable value is lower than the carrying amount, the assets are written down to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

Inventories
Inventories are measured at cost using the FIFO-principle. If the net realisable value is lower than cost, the inventories are written down to the lower value.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The cost of finished goods and work in progress includes cost of raw materials, consumables, direct payroll cost and indirect production cost. Indirect production costs include indirect materials and payroll and maintenance and depreciation of the machines, factory buildings and equipment used in the production process, cost of factory administration and management and capitalised development costs relating to the products.

The net realisable value of inventories is stated at sales price less completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price.

Receivables
Receivables are measured at amortised cost which usually corresponds to nominal value. The value is reduced by impairment losses to meet expected losses.

Prepayments
Prepayments are recognised as assets include costs incurred relating to the subsequent financial year.

Cash and cash equivalents
Cash and cash equivalents comprise cash and short-term securities that can be converted to liquid assets without hindrance, and there are only insignificant risks of value changes.

Equity
Reserve for development costs
Reserve for development costs comprise development costs recognised. The reserve cannot be used for dividends or payment of losses. The reserve is reduced or dissolved if the development costs recognised are depreciated or flow out of the Company. This is done by direct transfer to the distributable reserves of equity.

Tax payable and deferred tax
Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

ACCOUNTING POLICIES

The Company is subject to joint taxation with Danish group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the on account tax scheme. Joint taxation contributions receivable and payable are recognised in the Balance Sheet under current assets and liabilities, respectively.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry—forwards, are measured at the expected realisable value of the asset, either by set—off against 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 under the legislation in force on the balance sheet date would be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Liabilities
Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the income statement over the term of loan.

Amortised cost of current liabilities usually corresponds to nominal value.

Deferred income
Deferred income is recognised as liabilities include payments received regarding income in subsequent years.

Foreign currency translation
On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

CASH FLOW STATEMENT

With reference to Section 86(4) of the Danish Financial Statements Act, the company has not prepared a cash flow statement. The parent company's cash flows are part of the consolidated cash flow statement of discoverIE Group plc.