

Flux A/S
Industrivangen 5, 4550 Asnæs
Annual Report
1 April 2019 - 31 March 2020

**The Annual Report has been presented
and adopted at the Company's Annual
General Meeting on 25 November 2020**



Simon Gibbins

CVR no. 73 29 77 10

CONTENTS

	Page
Company Details	
Company Details.....	3
Statement and Report	
Statement by Board of Directors and Board of Executives.....	4
Independent Auditor's Report.....	5-6
Management's Review	
Financial Highlights.....	7
Management's Review.....	8-9
Financial Statements 1 April 2019 - 31 March 2020	
Income Statement.....	10
Balance Sheet.....	11-12
Equity.....	13
Notes.....	14-17
Accounting Policies	18-21



COMPANY DETAILS

Company	Flux A/S Industrivangen 5 DK-4550 Asnæs
	CVR no.: 73 29 77 10
	Established: 30 June 1983
	Registered Office: Copenhagen
	Financial Year: 1 April 2019 - 31 March 2020
Board of Directors	Simon Mark Gibbins, Chairman Georges René Gener Søren Lau Jensen
Board of Executives	Søren Lau Jensen
Auditor	Pricewaterhousecoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

STATEMENT BY BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

Today the Board of Directors and Board of Executives have considered and adopted the Annual Report of Flux A/S for the year 1 April 2019 - 31 March 2020.

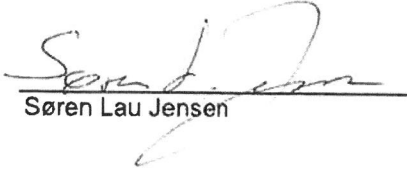
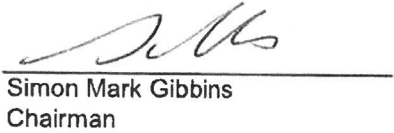

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the Company's financial position at 31 March 2020 and of the results of the Company's operations for the financial year 1 April 2019 - 31 March 2020.

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

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

Copenhagen, 25 November 2020

Board of Executives
Søren Lau Jensen**Board of Directors**
Simon Mark Gibbins
Chairman
Georges René Gener
Søren Lau Jensen

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 2020, and of the results of the Company's operations for the financial year 1 April 2019 - 31 March 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Flux A/S for the financial year 1 April 2019 - 31 March 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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 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 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 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, 25 November 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31



Kaare von Cappeln
State Authorised Public Accountant
mne11629



Thomas Lauritsen
State Authorised Public Accountant
mne34342

FINANCIAL HIGHLIGHTS

	2019/20	2018/19	2017/18	2017	2016
	DKK('000)	DKK('000)	DKK('000)	DKK('000)	(3 Months) DKK('000)
Income statement					
Net revenue	79.253	104.730	89.620	87.385	22.090
Gross profit/loss	14.233	29.270	22.901	21.734	4.319
Operating profit/loss	-5.072	10.372	6.187	5.591	2.031
Financial income and expenses, net	-436	646	-1.221	205	-50
Profit/loss for the year	-4.346	8.645	3.818	4.474	1.544
Balance sheet					
Balance sheet total	52.094	59.977	58.537	56.087	53.504
Equity	40.355	44.701	36.056	25.957	21.484
Investment in tangible assets.....	341	1.447	650	548	-
Average number of full-time employees					
	44	53	55	49	46
Ratios					
Gross margin	18,0	27,9	25,6	24,9	19,6
Solvency ratio	77,5	74,5	61,6	46,3	40,2
Return on equity	-10,2	21,4	12,3	18,9	7,4
Operating margin.....	-6,4	9,9	6,9	6,4	9,2
Return of investment.....	-9,1	17,5	10,8	10,2	3,9

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

Gross margin:	$\frac{\text{Gross profit} \times 100}{\text{Net revenue}}$
Solvency ratio:	$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities, at year end}}$
Return on equity:	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$
Operating margin:	$\frac{\text{Operating profit} \times 100}{\text{Net revenue}}$
Return of investment:	$\frac{\text{Operating profit} \times 100}{\text{Average assets}}$

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 Flux A/S and in the subsidiary in Thailand, whereas Flux A/S 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 consists of Flux A/S and Flux International Limited, Thailand and is part of the discoverIE Group plc, a leading international supplier of customised electronics.

Development in activities and financial position

Net loss for the year amounts to DKK 4,3 mill. which is primarily caused by revenue for 2019/20 was 20% lower than expected due to lower demand from customers and change in management. Consequently, the result for 2019/20 is considered not satisfactory.

Flux A/S 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 Flux A/S has made investments in intangible assets related to patents.

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, Flux A/S continued its investments in new technology and development through collaboration with customers as well as with international agencies and institutions.

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 being able to manufacture at cost competitive levels.

Financial risks

Flux A/S manages financial risks and coordinates Flux Group's cash management, including funding, with the discoverIE Group. Flux A/S is exposed to fluctuations in THB due to purchase from our subsidiary company Flux International Limited.

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.

Liquidity

Flux A/S is firmly based and has access to a Credit Facility in discoverIE Group.

MANAGEMENT'S REVIEW

Uncertainty regarding recognition or measurement

No uncertainty connected with recognition or measurement has been identified.

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

Know-how

Flux A/S has several patents and specific know-how in producing special products which are important to the future performance.

Environmental

Flux A/S try to reduce the impact on the external environment as much as possible. Flux A/S sorts and disposes waste according to the environmental regulations. Flux A/S is working on a environmental policy.

Research and development

Flux A/S has developed patents, which are expected to be utilized in the coming years, and Flux A/S develops new products together with its customers.

Future expectations

At the beginning of the new financial year, the company's operations and liquidity were negatively affected by the spread of coronavirus (COVID-19), as many customers have closed completely or partially. It is still unknown, how the ongoing outbreak of coronavirus will affect revenue in 2020, but management expects revenue to be in the area of DKK 80 million. Management has therefore begun an adjustment of the company's costs as well as an examination of the scope of relevant support schemes. It is management's expectation that the situation will normalize later in the year and that the company will not need a capital injection. The company expects a small profit of DKK 0-2 million for 2020-2021.

INCOME STATEMENT 1 APRIL - 31 MARCH

	Note	2019/20 DKK	2018/19 DKK
NET REVENUE		79.252.562	104.730.461
Production costs	1	-65.019.117	-75.460.448
GROSS PROFIT/LOSS		14.233.445	29.270.013
Distribution costs	1	-8.275.338	-8.217.009
Administrative expenses	1	-11.029.808	-10.681.391
OPERATING PROFIT		-5.071.701	10.371.613
Financial income	2	7.821	888.534
Financial expenses	3	-443.994	-242.140
PROFIT BEFORE TAX		-5.507.874	11.018.007
Tax on profit/loss for the year	4	1.162.152	-2.373.348
PROFIT FOR THE YEAR.	5	-4.345.722	8.644.659

BALANCE SHEET AT 31 MARCH

ASSETS	Note	2020 DKK	2019 DKK
Development projects completed		349.919	505.270
Intangible fixed assets acquired		410.301	406.255
Intangible fixed assets	6	760.220	911.525
Production plant and machinery		883.476	866.352
Other plant, machinery, tools and equipment		374.663	515.181
Leasehold improvements		434.002	603.944
Tangible fixed assets	7	1.692.141	1.985.477
Investments in subsidiaries		9.573.484	9.573.484
Rent deposit and other receivables		190.000	190.000
Fixed asset investments	8	9.763.484	9.763.484
FIXED ASSETS		12.215.845	12.660.486
Raw materials and consumables		2.185.710	2.799.733
Work in progress		1.381.788	1.205.276
Finished goods and goods for resale		8.615.635	7.390.315
Inventories		12.183.133	11.395.324
Trade receivables		17.346.654	25.309.025
Receivables from group enterprises		8.439.218	9.476.115
Corporation tax		1.150.072	-
Other receivables		602.404	821.491
Prepayments	9	151.773	305.721
Receivables		27.690.121	35.912.352
Cash and cash equivalents		5.298	9.174
CURRENT ASSETS		39.878.552	47.316.850
ASSETS		52.094.397	59.977.336

BALANCE SHEET AT 31 MARCH

EQUITY AND LIABILITIES	Note	2020 DKK	2019 DKK
Share capital	10	2.100.000	2.100.000
Reserve for development costs		272.937	390.428
Retained profit		37.982.231	42.210.462
EQUITY		40.355.168	44.700.890
Provision for deferred tax.	11	156.102	197.608
PROVISIONS FOR LIABILITIES		156.102	197.608
Other liabilities	12	930.224	-
Non-current liabilities		930.224	-
Trade payables		2.280.958	3.881.625
Payables to group enterprises		5.164.071	4.321.124
Corporation tax		-	2.442.710
Other liabilities		3.207.874	4.433.379
Current liabilities		10.652.903	15.078.838
LIABILITIES		11.583.127	15.078.838
EQUITY AND LIABILITIES		52.094.397	59.977.336
Contingencies etc.	13		
Charges and securities	14		
Related parties	15		
Significant events after the end of the financial year	16		
Consolidated financial statements	17		

EQUITY

	Share capital	Reserve for development costs	Retained profit	Total
Equity at 1 April 2019.....	2.100.000	390.428	42.210.462	44.700.890
Capital increase by conversion of debt.....				-
Proposed distribution of profit.....			-4.345.722	-4.345.722
Carried forward to provision for development costs.....		-117.491	117.491	-
Equity at 31 March 2020.....	2.100.000	272.937	37.982.231	40.355.168

NOTES

	2019/20 DKK	2018/19 DKK	Note
Staff costs			1
Average number of employees 44 (2018/19: 53)			
Wages and salaries	22.784.525	25.066.882	
Pensions	649.969	908.079	
Social security costs	292.890	304.809	
Other staff costs	243.470	279.786	
	23.970.854	26.559.556	
Remuneration to the board of executives and directors...	3.160.196	-	
By reference to section 98B(3), (ii), of the Danish Financial Statements Act, remuneration to management is not disclosed for 2018/19.			
Financial income			2
Group enterprises	-	8.750	
Other interest income	7.821	879.784	
	7.821	888.534	
Financial expenses			3
Group enterprises	-	203.333	
Other interest expenses.....	443.994	38.807	
	443.994	242.140	
Tax on profit/loss for the year			4
Calculated tax on taxable income of the year	-1.150.072	2.442.710	
Adjustment of tax for previous years	29.426	-52.479	
Adjustment of deferred tax.	-41.506	-16.883	
	-1.162.152	2.373.348	
Proposed distribution of profit			5
Accumulated profit	-4.345.722	8.644.659	
	-4.345.722	8.644.659	

NOTES

			Note
Intangible fixed assets			6
	Development projects completed	Intangible fixed assets acquired	
Cost at 1 April 2019	4.008.463	1.207.491	
Additions	-	210.155	
Disposals.....	-183.064	-	
Cost at 31 March 2020	3.825.399	1.417.646	
Amortisation at 1 April 2019	3.503.193	801.236	
Depreciation for the year	155.351	206.109	
Reversal of depreciation of assets disposed of	-183.064	-	
Depreciation at 31 March 2020	3.475.480	1.007.345	
Carrying amount at 31 March 2020	349.919	410.301	
Tangible fixed assets			7
	Production plant and machinery	Other plant, machinery, tools and equipment	Leasehold improvements
Cost at 1 April 2019	5.189.173	3.211.833	840.226
Additions	252.722	81.887	6.400
Disposals.....	-	-713.348	-
Cost at 31 March 2020	5.441.895	2.580.372	846.626
Amortisation at 1 April 2019	4.322.821	2.696.652	236.282
Depreciation for the year	235.598	222.405	176.342
Reversal of depreciation of assets disposed of	-	-713.348	-
Depreciation at 31 March 2020	4.558.419	2.205.709	412.624
Carrying amount at 31 March 2020	883.476	374.663	434.002

NOTES

			Note
Fixed asset investments			8
	Investment in subsidiaries	Rent deposit and other receivables	
Cost at 1 April 2019	9.573.484	190.000	
Additions	-	-	
Disposals.....	-	-	
Cost at 31 March 2020	9.573.484	190.000	
Investments in subsidiaries (DKK)			
Name and registered office	Equity	Profit/loss for the year	Ownership
Flux International Limited, Bangchalong, Bangplee, Thailand	6.076.753	-3.972.093	100%
		2019/20 DKK	2018/19 DKK
Prepayments			9
Insurances.....		68.633	141.901
Other prepayments.....		83.140	163.820
		151.773	305.721
Share capital			10
Specification of the share capital:			
Shares, 2.100 in the denomination of 1.000 DKK		2.100.000	2.100.000
		2.100.000	2.100.000
Provision for deferred tax			11
Provision for deferred tax comprises deferred tax on contract work in progress, inventory and intangible and tangible fixed assets.			
Deferred tax at 1 April.....		197.608	214.491
Adjustment of deferred tax		-41.506	-16.883
Provision for deferred tax 31 March.....		156.102	197.608

NOTES

Note

Other liabilities

12

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:

	2019/20 DKKk	2018/19 DKKk
Between 1 and 5 years	930.224	-
More than 5 years	-	-
	930.224	-

Contingencies etc.

13

Contingent liabilities

Rent and lease liabilities include a rent obligation totalling DKK 443 thousand (2018/19: DKK 1.203 thousand) interminable rent agreements with remaining contract terms next year. Furthermore, Flux A/S has liabilities under operating leases for cars and IT equipment DKK 686 thousand (2018/19: DKK 1.116 thousand), with remaining contract terms of 0.5 - 2.5 years.

Joint liabilities

Flux A/S 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.

Noratel Denmark A/S serves as management company for the joint taxation.

Charges and securities

14

Flux A/S, together with other group entities, act as Guarantor for a Revolving Credit Facility for DiscoverIE Group Plc, whereby some Group companies can borrow an amount of up to GBP 180 million. The Company's guarantee is limited if and to the extent that the same would constitute unlawful financial assistance, within the meaning of section 206 and 210 of the Danish Companies Act, and furthermore, the Company can only be held liable for the free equity at any given time.

Related parties

15

Parties exercising control

discoverIE Holding B.V., Holland

Transactions with related parties

	2019/20 DKKk	2018/19 DKKk
Revenue	1.621	2.495
Cost of sales	49.997	51.136
Expenses	695	586
Interest expenses	-	203
Interest income	-	9
Instalment	-	438

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

Flux A/S 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 2019/20 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. Flux A/S 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 Flux A/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.

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.

ACCOUNTING POLICIES

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 Flux A/S. 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.

Flux A/S 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.

ACCOUNTING POLICIES

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, Flux A/S 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.

