



**Flux A/S**

**Industrivangen 5, 4550 Asnæs**

**Annual Report**

**1 April 2022 - 31 March 2023**

**The Annual Report has been presented  
and adopted at the Company's Annual  
General Meeting on 28 September 2023**

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Simon Gibbins

**CVR no. 73 29 77 10**

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## 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 2021 - 31 March 2022

### Board of Directors

Simon Mark Gibbins, Chairman  
John Willum Andersen  
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 2022 - 31 March 2023.

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 2023 and of the results of the Company's operations for the financial year 1 April 2022 - 31 March 2023.

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, 28 September 2023

### Board of Executives

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Søren Lau Jensen

### Board of Directors

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Simon Mark Gibbins  
Chairman

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John Willum Andersen

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Søren Lau Jensen

## 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 2023, and of the results of the Company's operations for the financial year 1 April 2022 - 31 March 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Flux A/S for the financial year 1 April 2022 - 31 March 2023, 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' 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 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.

### 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 over-ride 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, 28 September 2023

#### **PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

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Kaare von Cappeln  
State Authorised Public Accountant  
mne11629

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Thomas Lauritsen  
State Authorised Public Accountant  
mne34342

## FINANCIAL HIGHLIGHTS



	2022/23	2021/22	2020/21	2019/20	2018/19
	DKK('000)	DKK('000)	DKK('000)	DKK('000)	DKK('000)
<b>Income statement</b>					
Net revenue .....	120.389	99.913	83.457	79.253	104.730
Gross profit/loss .....	30.407	23.054	19.206	14.233	29.270
Operating profit/loss .....	7.759	4.398	3.005	-5.072	10.372
Financial income and expenses, net .....	-387	102	-1.057	-436	646
Profit/loss for the year .....	5.769	3.508	1.519	-4.346	8.645
<b>Balance sheet</b>					
Balance sheet total .....	71.475	64.102	57.585	52.094	59.977
Equity .....	51.151	45.382	41.874	40.355	44.701
Investment in tangible assets.....	727	1.144	244	341	1.447
<b>Average number of full-time employees .....</b>	<b>54</b>	<b>47</b>	<b>43</b>	<b>44</b>	<b>53</b>
<b>Ratios</b>					
Gross margin .....	25,3	23,1	23,0	18,0	27,9
Solvency ratio .....	71,6	70,8	72,7	77,5	74,5
Return on equity .....	12,0	8,0	3,7	-10,2	21,4
Operating margin.....	6,4	4,4	3,6	-6,4	9,9
Return of investment.....	11,4	7,2	5,5	-9,1	17,5

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.

### 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

Profit for the year amounts to DKK 5,8 mill. which is primarily caused by increasing revenue.

In spite of a difficult year with supply change challenges, inflation and high energy prices the sales and profit increased and the result for 2022/23 is considered satisfactory.

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.

Last year the company expected a revenue of DKK 110 mill. and a profit of around DKK 6 mill. which is very close to the actual profit but with higher sales for 2022/23.

### Investments

#### Intangible assets

During the year Flux A/S has made no investments in intangible assets.

### 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 and USD due to purchase of raw materials and 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.



## MANAGEMENT'S REVIEW



### Liquidity

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

### 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 achieved the European Space Agency Technology Flow Qualification as 1 out of 5 companies and the only one in magnetics. Flux Int. has achieved IATF Automotive certification. This will be very important for 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 an environmental policy together with our parent company discoverIE Group.

### Research and development

Flux are developing new products in several areas. For the Space market we develop components for electrical propulsion for satellites and for the Industrial market we develop components for renewable energy solutions and for electrical vehicles and chargers.

### Future expectations

For 2023-24 the management expects revenue to be DKK 120-125 mill. and profit DKK 6-7 mill.

INCOME STATEMENT 1 APRIL - 31 MARCH



	Note	2022/23 DKK	2021/22 DKK
<b>NET REVENUE</b> .....		<b>120.388.916</b>	<b>99.912.943</b>
Production costs .....	1	-89.981.664	-76.858.756
<b>GROSS PROFIT/LOSS</b> .....		<b>30.407.252</b>	<b>23.054.187</b>
Distribution costs .....	1	-7.487.854	-5.585.887
Administrative expenses .....	1	-15.160.104	-13.070.469
<b>OPERATING PROFIT</b> .....		<b>7.759.294</b>	<b>4.397.831</b>
Financial income .....	2	47.686	210.091
Financial expenses .....	3	-434.421	-108.241
<b>PROFIT BEFORE TAX</b> .....		<b>7.372.559</b>	<b>4.499.681</b>
Tax on profit/loss for the year .....	4	-1.603.332	-991.463
<b>PROFIT FOR THE YEAR.</b> .....	<b>5</b>	<b>5.769.227</b>	<b>3.508.218</b>

## BALANCE SHEET AT 31 MARCH



ASSETS	Note	2023 DKK	2022 DKK
Development projects completed .....		32.500	63.118
<b>Intangible fixed assets</b> .....	6	<b>32.500</b>	<b>63.118</b>
Production plant and machinery .....		1.435.773	1.481.985
Other plant, machinery, tools and equipment .....		315.735	139.205
Leasehold improvements .....		54.403	159.708
<b>Tangible fixed assets</b> .....	7	<b>1.805.911</b>	<b>1.780.898</b>
Investments in subsidiaries .....		21.771.484	21.771.484
Rent deposit and other receivables .....		190.000	190.000
<b>Fixed asset investments</b> .....	8	<b>21.961.484</b>	<b>21.961.484</b>
<b>FIXED ASSETS</b> .....		<b>23.799.895</b>	<b>23.805.500</b>
Raw materials and consumables .....		2.330.694	2.046.233
Work in progress .....		1.953.779	1.342.214
Finished goods and goods for resale .....		16.260.965	16.136.769
<b>Inventories</b> .....		<b>20.545.438</b>	<b>19.525.216</b>
Trade receivables .....		26.968.554	20.572.291
Other receivables .....		1.869	77.346
Prepayments .....	9	150.749	115.265
Deferred tax .....	10	853	-
<b>Receivables</b> .....		<b>27.122.025</b>	<b>20.764.902</b>
<b>Cash and cash equivalents</b> .....		<b>8.102</b>	<b>6.039</b>
<b>CURRENT ASSETS</b> .....		<b>47.675.565</b>	<b>40.296.157</b>
<b>ASSETS</b> .....		<b>71.475.460</b>	<b>64.101.657</b>

## BALANCE SHEET AT 31 MARCH



EQUITY AND LIABILITIES	Note	2023 DKK	2022 DKK
Share capital .....	11	2.100.000	2.100.000
Reserve for development costs .....		25.350	49.232
Retained profit .....		49.026.008	43.232.899
<b>EQUITY .....</b>		<b>51.151.358</b>	<b>45.382.131</b>
Provision for deferred tax. ....	10	-	4.623
<b>PROVISIONS FOR LIABILITIES .....</b>		<b>-</b>	<b>4.623</b>
Other liabilities .....	12	2.005.131	1.964.342
<b>Non-current liabilities .....</b>		<b>2.005.131</b>	<b>1.964.342</b>
Trade payables .....		1.861.539	3.106.597
Payables to group enterprises .....		8.491.948	7.022.461
Corporation tax .....		1.618.321	1.571.993
Other liabilities .....		6.347.163	5.049.510
<b>Current liabilities .....</b>		<b>18.318.971</b>	<b>16.750.561</b>
<b>LIABILITIES .....</b>		<b>20.324.102</b>	<b>18.714.903</b>
<b>EQUITY AND LIABILITIES .....</b>		<b>71.475.460</b>	<b>64.101.657</b>
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## EQUITY



	Share capital	Reserve for development costs	Retained profit	Total
Equity at 1 April 2022.....	2.100.000	49.232	43.232.899	45.382.131
Proposed distribution of profit.....			5.769.227	5.769.227
Carried forward to provision for development costs.....		-23.882	23.882	-
<b>Equity at 31 March 2023.....</b>	<b>2.100.000</b>	<b>25.350</b>	<b>49.026.008</b>	<b>51.151.358</b>

## NOTES



	2022/23 DKK	2021/22 DKK	Note
<b>Staff costs</b>			<b>1</b>
Average number of employees 54 (2021/22: 47)			
Wages and salaries .....	28.015.381	23.052.133	
Pensions .....	1.073.091	763.736	
Social security costs .....	287.518	270.302	
Other staff costs .....	349.805	411.153	
	<b>29.725.795</b>	<b>24.497.324</b>	
By reference to section 98B(3), (ii), of the Danish Financial Statements Act, remuneration to management is not disclosed.			
<b>Financial income</b>			<b>2</b>
Other interest income .....	47.686	210.091	
	<b>47.686</b>	<b>210.091</b>	
<b>Financial expenses</b>			<b>3</b>
Other interest expenses.....	434.421	1.603.332	
	<b>434.421</b>	<b>1.603.332</b>	
<b>Tax on profit/loss for the year</b>			<b>4</b>
Calculated tax on taxable income of the year .....	1.608.809	1.072.605	
Adjustment of tax for previous years .....	-	-	
Adjustment of deferred tax. ....	-5.477	-81.142	
	<b>1.603.332</b>	<b>991.463</b>	
<b>Proposed distribution of profit</b>			<b>5</b>
Accumulated profit .....	5.769.227	3.508.218	
	<b>5.769.227</b>	<b>3.508.218</b>	

NOTES



Note

**Intangible fixed assets**

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	Development projects completed	Intangible fixed assets acquired
Cost at 1 April 2022 .....	3.825.399	1.417.646
Additions .....	-	-
Disposals.....	-	-
<b>Cost at 31 March 2023 .....</b>	<b>3.825.399</b>	<b>1.417.646</b>
Amortisation at 1 April 2022 .....	3.762.281	1.417.646
Depreciation for the year .....	30.618	-
Reversal of depreciation of assets disposed of .....	-	-
<b>Depreciation at 31 March 2023 .....</b>	<b>3.792.899</b>	<b>1.417.646</b>
<b>Carrying amount at 31 March 2023 .....</b>	<b>32.500</b>	<b>-</b>

**Tangible fixed assets**

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	Production plant and machinery	Other plant, machinery, tools and equipment	Leasehold improvements
Cost at 1 April 2022 .....	6.684.707	2.698.107	874.470
Additions .....	449.356	261.004	16.505
Disposals.....	-	-	-
<b>Cost at 31 March 2023 .....</b>	<b>7.134.063</b>	<b>2.959.111</b>	<b>890.975</b>
Amortisation at 1 April 2022 .....	5.202.722	2.558.902	714.762
Depreciation for the year .....	495.568	84.474	121.810
Reversal of depreciation of assets disposed of .....	-	-	-
<b>Depreciation at 31 March 2023 .....</b>	<b>5.698.290</b>	<b>2.643.376</b>	<b>836.572</b>
<b>Carrying amount at 31 March 2023 .....</b>	<b>1.435.773</b>	<b>315.735</b>	<b>54.403</b>

NOTES



Note

**Fixed asset investments**

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	Investment in subsidiaries	Rent deposit and other receivables
Cost at 1 April 2022 .....	21.771.484	190.000
Additions .....	-	-
Disposals.....	-	-
<b>Cost at 31 March 2023 .....</b>	<b>21.771.484</b>	<b>190.000</b>

**Investments in subsidiaries (DKK)**

Name and registered office	Equity	Profit/loss for the year	Ownership
Flux International Limited, Bangchalong, Banglee, Thailand .....	19.590.561	880.848	100%
		<b>2022/23 DKK</b>	<b>2021/22 DKK</b>

**Prepayments**

9

Insurances.....	16.764	63.240
Other prepayments.....	133.985	52.025
	<b>150.749</b>	<b>115.265</b>

**Deferred tax**

10

Deferred tax comprises deferred tax on inventory and intangible and tangible fixed assets.

Deferred tax at 1 April.....	-4.623	-85.765
Adjustment of deferred tax .....	5.476	81.142
<b>Deferred tax 31 March.....</b>	<b>853</b>	<b>-4.623</b>

**Share capital**

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Specification of the share capital:		
Shares, 2.100 in the denomination of 1.000 DKK .....	2.100.000	2.100.000
	<b>2.100.000</b>	<b>2.100.000</b>



**Other liabilities**

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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:

	2022/23	2021/22
	DKK	DKK
Between 1 and 5 years	-	31.006
More than 5 years	2.005.131	1.933.336
	<b>2.005.131</b>	<b>1.964.342</b>

**Contingencies etc.**

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**Contingent liabilities**

Rent and lease liabilities include a rent obligation totalling DKK 428 thousand (2021/22: DKK 393 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 1.357 thousand (2021/22: DKK 532 thousand), with remaining contract terms of 0.3 - 3.7 years.

**Joint taxation**

Flux A/S is jointly and severally liable together with the other Danish 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**

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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**

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**Parties exercising control**

discoverIE Holding B.V., Holland

**Transactions with related parties**

	2022/23	2021/22
	DKKk	DKKk
Revenue	-	-
Cost of sales	<b>71.045</b>	51.613
Expenses	<b>900</b>	560

**Significant events after the end of the financial year**

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

## NOTES



Note  
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### **Consolidated financial statements**

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>.

The annual report of Flux A/S for 2022/23 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.

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.

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.

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