

SKOV A/S. Glyngøre

Hedelund 4, 7870 Roslev
CVR no. 87 45 71 17

Annual report for the financial year 01.10.22 - 30.09.23

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 11.12.23

Henning Jensen
Dirigent

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The company

SKOV A/S. Glyngøre
Hedelund 4
7870 Roslev
Tel.: 72 17 55 55
Registered office: Skive
CVR no.: 87 45 71 17
Financial year: 01.10 - 30.09

Executive Board

CEO Leo Østergaard

Board of Directors

Robert Jean Nicolas Didier Lousberg
Eli Klitgård
Frank Martin Hiller
Jan Ove Thomas Nilsson
Jørgen Yde Jensen
Kai Oliver Stephan Wehmeyer
Kim Standly

Auditors

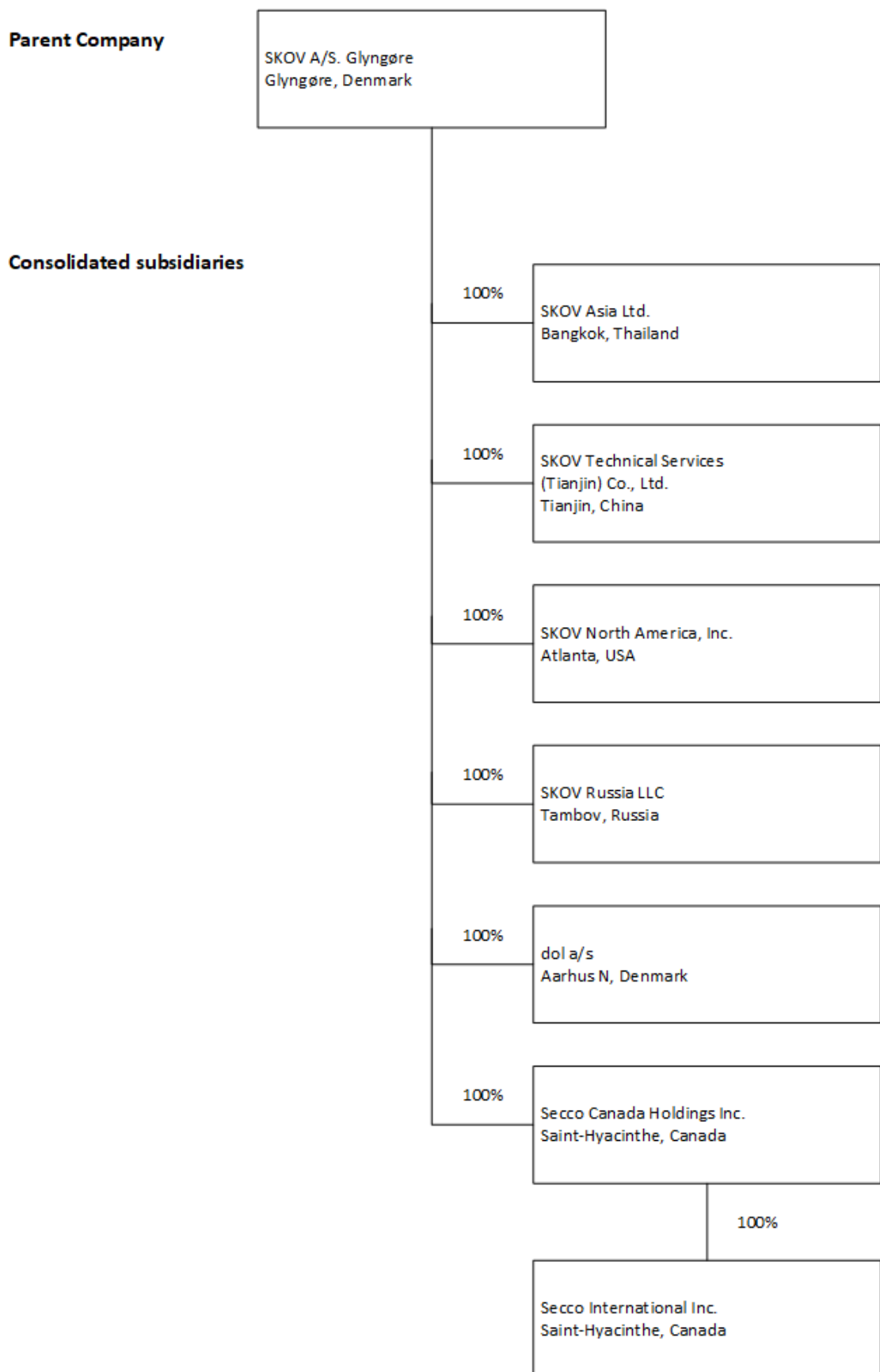
Beierholm
Statsautoriseret Revisionspartnerselskab

Banks

Danske Bank A/S
Sydbank A/S
Commerzbank AG

Lawyer

Gorissen Federspiel



Statement by the Executive Board and Board of Directors on the annual report

We have on this day presented the annual report for the financial year 01.10.22 - 30.09.23 for SKOV A/S. Glyngøre.

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

In our opinion, the consolidated financial statements and financial statements give a true and fair view of the group's and the parent's assets, liabilities and financial position as at 30.09.23 and of the results of the group's and parent's activities and of the group's cash flows for the financial year 01.10.22 - 30.09.23.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Roslev, December 11, 2023

Executive Board

Leo Østergaard
CEO

Board of Directors

Robert Jean Nicolas Didier
Lousberg
Chairman

Eli Klitgård

Frank Martin Hiller

Jan Ove Thomas Nilsson

Jørgen Yde Jensen

Kai Oliver Stephan Wehmeyer

Kim Standly

To the Shareholder of SKOV A/S. Glyngøre**Opinion**

We have audited the consolidated financial statements and parent company financial statements of SKOV A/S. Glyngøre for the financial year 01.10.22 - 30.09.23, which comprise the income statement, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies for the group as well as for the parent company as well as the consolidated cash flow statement. The consolidated financial statements and parent company financial statements are prepared in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

In our opinion the consolidated financial statements and parent company financial statements give a true and fair view of the group's and the parent company's assets, liabilities and financial position at 30.09.23 and of the results of the group's and the parent company's operations and the consolidated cash flows for the financial year 01.10.22 - 30.09.23 in accordance with the the Danish Financial Statements Act (Årsregnskabsloven).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing 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 consolidated financial statements and parent company financial statements" section of our report. We are independent of the group and 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 regarding the management's review

Management is responsible for management's review.

Our opinion on the consolidated financial statements and 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 consolidated financial statements and financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the consolidated financial statements or parent company 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, we conclude that management's review is in accordance with the consolidated financial statements and financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Acts. We did not identify any material misstatement of management's review.

Management's responsibility for the consolidated financial statements and parent company financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements and parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and 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 International Standards on Auditing 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 consolidated financial statements and financial statements.

As part of an audit conducted in accordance with International Standards on Auditing 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 consolidated financial statements and financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the parent company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the consolidated financial statements and financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the consolidated financial statements and financial statements, including the disclosures, and whether the consolidated financial statements and financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Skive, December 11, 2023

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Martin Olesen Furbo
State Authorized Public Accountant
MNE-no. mne32204

Allan Aakmann Christensen
State Authorized Public Accountant
MNE-no. mne35463

GROUPS FINANCIAL HIGHLIGHTS

Key figures

Figures in MDKK	2022/23	2021/22	2020/21	2019/20	2018/19
<i>Profit/loss</i>					
Revenue	1,013	1,043	981	892	777
Operating profit	155	151	173	121	88
Total net financials	5	-1	0	-1	-1
Profit for the year	127	121	140	100	67
<i>Balance</i>					
Total assets	782	758	723	583	468
Investments in property, plant and equipment	17	17	6	12	24
Equity	605	575	543	398	321
<i>Cashflow</i>					
Net cash flow:					
Operating activities	185	117	99	133	80
Investing activities	-29	-94	-3	-89	5
Financing activities	-80	-103	-12	-34	-21
Cash flows for the year	76	-80	84	10	64

Ratios

	2022/23	2021/22	2020/21	2019/20	2018/19
<i>Profitability</i>					
Return on equity	21.6%	29.8%	29.8%	27.8%	22.6%
Gross margin	39.7%	37.9%	41.6%	39.2%	38.6%
Profit margin	15.4%	14.4%	17.6%	13.6%	11.3%
Return on assets	19.9%	19.9%	23.8%	20.8%	18.8%

Equity ratio

Solvency ratio	77.3%	75.8%	75.1%	68.3%	68.6%
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Others

Number of employees (average)	431	451	462	431	389
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Ratios definitions

Return on equity:	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$
Gross margin:	$\frac{\text{Gross result} \times 100}{\text{Revenue}}$
Profit margin:	$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$
Solvency ratio:	$\frac{\text{Equity, end of year} \times 100}{\text{Total assets}}$
Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$

Primary activities

SKOV A/S' strategy is to develop, produce, install and service climate solutions, farm management and digital services for animal production worldwide.

Development in activities and financial affairs

The result for the year shows a profit after tax of TDKK 127,077, which is considered satisfactory. The balance sheet of the company shows an equity of TDKK 604,532.

SKOV has in 2022/23 continued to develop the global sales organization through recruitment of additional sales managers, new dealers, and new installation/service partners. To increase the competences in the global sales organization, SKOV Academy has headed many training activities towards sales managers, dealers, and service partners. The new distribution center including new warehouse management software came into operation in November 2022 and it has already and will continue to increase the quality and efficiency in deliveries.

SKOV has during the last couple of years invested in development of climate solutions for the relatively new insect production industry of e.g., the black soldier fly. Like other livestock animals, the productivity of insects is highly dependent on a well-functioning climate solution, and SKOV is now ready to support customers globally with proven and competitive solutions. The first SKOV solutions for insect farming are now in operation at customers.

Like previous years, SKOV has also in 2022/23 incurred considerable expenses on product and system development so that the Company maintains a leading position in the market. The development of digital services to customers is a significant part of the activities.

Outlook

The Company expects the market situation to be challenging in the coming year.

Especially the war in Ukraine and increase in interest rates has in some regions lead to less investments and an increase in competition. Factors which are expected to have a negative impact on the financial performance of SKOV in 2023/24. These factors have especially a negative impact on SKOV's main market in Europe whereas the consequences are less in other regions where SKOV also is present.

The business model of SKOV and the financial performance can handle such challenges.

Therefore, the Company will also in 2023/24 continue to invest in the future growth of SKOV. Market presence will increase in different growing markets; new products will be introduced and SKOV will continue to invest in digitalization/robotization of the production and administrative processes. All activities that will strengthen the future earnings capacity and competitiveness.

The capital preparedness of the Company is considered sufficient for covering the financing of the activities in the coming year.

Overall, revenue and profit are expected to be in line with 2022/23. However, due to the challenging market situation mentioned above, the Company is not able to make a clear announcement for the coming year.

Strategy

The food industry is consolidating, and many customers are becoming bigger and more regional/global. By this, the market is also requesting more professional climate and production solutions as well as new digital services. This is in line with the SKOV offerings. Despite a trend in increasing plant-based food alternatives, the consumption of animal-based proteins as broiler meat, pork, and egg is globally still expected to increase. Further, by supplying solutions to the new insect business industry, SKOV enters an interesting sustainable feed industry that is expected to grow in the coming years. Therefore, the global market for SKOV offerings is expected to grow.

SKOV's strategy is to be prepared for this growth and to increase its market share. To stay the preferred partner for our customers, SKOV will continue to invest in a strong RD organization that develops new solutions, a strong market presence and an efficient organization that delivers quality to customers. The objective of SKOV is to have strong profitable organic growth.

Knowledge resources

The leading position of the Company within climate and production control systems for agriculture, places heavy demands particularly on knowledge resources concerning agricultural production methods. Beyond this, special demands are made to knowledge resources in product development, sales, and services. To deliver these solutions continuously, it is decisive that the Company can recruit and maintain highly educated employees. Therefore, the Company is committed to continue investing in SKOV as an attractive workplace.

Financial risks*Foreign currency risks*

Activities in foreign countries have an impact on the results, cash flows and equity due to exchange and interest rate movements in several currencies. Most of the transactions are in DKK or EUR.

Interest rate risks

The Company does not have any considerable exposure concerning interest levels.

Credit risks

The Company does not have any considerable exposure concerning an individual customer or business partner. The credit policy of the Company is to address risks related to customers and business partners by applying value and credit insurance when possible. Attempts are made to cover credit risks related to large individual orders.

External environment

The vision for SKOV is to be the largest and most acknowledged partner providing climate solutions, farm management and digital services for animal production worldwide. The vision of SKOV supports the United Nations Sustainable Development Goals, and SKOV is especially committed to contribute to Goal number 12 'Responsible Consumption and Production' and Goal number 2 'Zero Hunger'. Solutions from SKOV contributes to a resource and energy efficient production of animal protein by producing more and better with less resources.

SKOV started in 2020/21 to document the Company's carbon emissions under scope 1 and 2 in accordance with the Greenhouse Gass (GHG) protocol. A report for 2022/23 is also prepared. The report is made in cooperation with an external consultant, and an important part of the work is to identify possible energy savings and reductions of carbon emission. SKOV has therefore during 2022/23 invested in heat pumps for heating in production and office facilities, and our new distribution center that came into operation in November 2022 is equipped with solar cells and heat pumps. SKOV will continue to reduce carbon emission and will during 2023/24 exchange remaining lighting to LED. A process is also started to calculate SKOV's scope 3 emissions with the objective during 2023/24 to finalize a baseline report. The baseline report will be used to take further initiatives for reduction of SKOV's carbon emission.

Research and development activities

Research activities are also made in cooperation with Research Centers at Universities. The development activities do primarily include development of products for the global market. Considerable resources have been spent on research and development, as the market continuously demand new product and system innovations.

Subsequent events

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

Subsidiaries abroad

The company has subsidiaries in Thailand, China, Russia, U.S.A., and Canada. The companies have a commercial and strategic partnership across borders.

Corporate social responsibility**SKOV Business Model**

SKOV has a complete value chain with primary activities within R&D, Sales & Service and Operation supported by functions like IT, HR and Finance. SKOV is committed to develop new products and solutions, and has for many years made material investments in R&D. Most of the development are placed internally, but cooperation is also done with external consultancy agencies when needed. SKOV has R&D activities within Mechanics, Electronical and Software engineering. Production and assembly of SKOV products takes mainly place at the facilities in Glyngøre, Denmark. The same facility serves as the global distribution center, and products are distributed to almost 100 countries. Products of the company are sold globally through either Dealers, Direct Sales or Partners. The sale is supported by SKOV's market organization including 5 sales and service subsidiaries and more than 90 dealers.

Ethical trading and anti-corruption rules

SKOV has implemented a Code of Conduct policy. Compliance with compulsory legal provisions and internal rules are at SKOV an essential basic principle of responsible business conduct. Violations of legal regulations or internal compliance rules must be identified as early as possible to initiate appropriate countermeasures and to avoid possible damage to customers, employees, business partners and SKOV. There is an electronic whistleblower system setup that enables employees to inform anonymously, fast and in an easy way about violations of legal regulations or compliance rules. No violations have been registered during fiscal year 2022/23.

Human Rights

In SKOV we respect the international conventions regarding the protection of human rights and the corresponding national laws. Currently SKOV does not find it necessary to form a specific policy

covering the whole company for this area. The Procurement department of SKOV does actively work with suppliers to ensure high ethical standards. Suppliers are obligated to act in an ethical responsible manner and comply with the international conventions and principles. The suppliers must show social responsibility and as a minimum comply with The Ten Principles of the UN Global Compact, which is focusing on Human Rights, Labor Rights, Environment and Anti-Corruption. The employees in the Procurement department does follow a Code of Conduct with special focus on the cooperation with suppliers.

The principles and values behind Human Rights, Ethical trading and anti-corruption rules are important in the management and business activities of SKOV. Even though not possible to measure direct results, the company will continue to have focus on these areas.

Employees and working environment

The security, health, and well-being of the employees of SKOV has high priority. The company constantly work on keeping a good working environment, and several initiatives have taken place during the year. Each individual employee has a yearly development conversation with superior. Management receives general feedback from these conversations with the objective to identify areas where improvements can be done.

Once a year all employees at SKOV participates in a common session where management is presenting the results and the achievements of the past year. In addition, the budget and the objectives, strategy and execution plans for the coming year are presented. For employees working in Denmark, another part of the session is typically a team-building event.

Gender diversity

Target figures for the supreme management body

The company has set a target figure for representation on the Company's Board of Directors as well as a policy for gender representation at the Company's management level. The board at SKOV A/S has 7 members of which 5 are elected by General Assembly and 2 elected by the employees. While currently all elected members of the Board are men, the target is that at least one of the board members elected at the General Assembly should be a female. The target was not achieved in 2022/23 as there were no female candidates. The objective is that it should be reached before end of 2024, and the BoD will continue to make efforts to identify female candidates, who would have the right experience, competence, and performance level.

Policy to increase the share of the underrepresented gender at other management levels

At other management levels it is the company's intention to increase the share of the underrepresented gender. It is the policy of the company to aim for a diversified organization through an unprejudiced selection process where no candidate is deselected due to gender, age, nationality etc. Candidates are solely to be selected based on experience, competences, and performance. SKOV A/S has in recent past had between 13-17% female representatives at other management level. At the end of September 2023 females had a share of 13% at other management level, which is at the same level as September 2022. Especially in our external communication (job advertisements, Social Media activities, job fairs etc.) SKOV continue to have focus on being attractive for both women and men, and target both genders. The result of the activities is difficulty to measure, but so far, the share of women in other management positions remains at the same level

Data ethics

The company does have a formal written GDPR policy addressing handling of data. In addition, in determining the company's business strategies and when carrying out the company's activities, management takes into account generally accepted principles and good business morale, and applicable legislation is constantly ensured compliance with.

Income statement

Note	Group		Parent		
	2022/23	2021/22	2022/23	2021/22	
	DKK '000	DKK '000	DKK '000	DKK '000	
1	Revenue	1,012,674	1,042,872	961,794	985,608
	Other operating income	257	20	256	0
	Costs of raw materials and consumables	-515,325	-551,600	-483,185	-514,773
	Other external expenses	-96,039	-95,594	-103,559	-109,977
	Gross profit	401,567	395,698	375,306	360,858
2	Staff costs	-226,378	-226,658	-202,678	-200,520
	Profit before depreciation, amortisation, write-downs and impairment losses	175,189	169,040	172,628	160,338
	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-19,516	-18,432	-13,795	-12,483
	Other operating expenses	-231	0	-26	0
	Operating profit	155,442	150,608	158,807	147,855
4	Income from equity investments in group enterprises	0	0	-2,740	154
5	Financial income	7,658	3,239	8,168	3,615
	Financial expenses	-2,178	-4,667	-2,532	-4,023
	Profit before tax	160,922	149,180	161,703	147,601
	Tax on profit for the year	-33,845	-28,384	-34,626	-26,711
	Profit for the year	127,077	120,796	127,077	120,890
6	Proposed appropriation account				

ASSETS		Group		Parent	
		30.09.23 DKK '000	30.09.22 DKK '000	30.09.23 DKK '000	30.09.22 DKK '000
Note					
	Completed development projects	499	1,059	0	0
	Acquired rights	4,514	5,477	0	0
	Goodwill	63,399	71,397	0	0
7	Total intangible assets	68,412	77,933	0	0
	Leasehold improvements	2,646	1,210	2,646	1,210
	Plant and machinery	22,360	25,871	21,337	24,377
	Other fixtures and fittings, tools and equipment	16,399	12,198	15,510	11,494
8	Total property, plant and equipment	41,405	39,279	39,493	37,081
9	Equity investments in group enterprises	0	0	107,836	99,201
10	Receivables from group enterprises	0	0	13,102	13,887
9	Other investments	10,221	10,038	10,221	10,038
10	Other receivables	71,511	68,868	71,511	68,868
	Total investments	81,732	78,906	202,670	191,994
	Total non-current assets	191,549	196,118	242,163	229,075
	Raw materials and consumables	80,216	84,329	53,760	83,912
	Work in progress	1,760	6,013	1,760	2,359
	Manufactured goods and goods for resale	60,793	97,647	60,793	69,906
	Total inventories	142,769	187,989	116,313	156,177
	Trade receivables	127,607	100,870	125,273	94,354
	Receivables from group enterprises	4,128	35,184	4,975	36,137
	Deferred tax asset	0	0	1,169	1,265
	Other receivables	6,774	8,511	6,482	8,180
11	Prepayments	14,494	10,833	13,486	9,177
12	Total receivables	153,003	155,398	151,385	149,113
	Cash	294,515	218,579	262,512	186,129
	Total current assets	590,287	561,966	530,210	491,419
	Total assets	781,836	758,084	772,373	720,494

EQUITY AND LIABILITIES		Group		Parent	
		30.09.23 DKK '000	30.09.22 DKK '000	30.09.23 DKK '000	30.09.22 DKK '000
Note					
13	Share capital	50,000	50,000	50,000	50,000
	Reserve for net revaluation according to the equity method	0	0	5,309	6,444
	Foreign currency translation reserve	0	6,673	0	0
	Retained earnings	484,532	419,177	479,223	419,406
	Proposed dividend for the financial year	70,000	80,000	70,000	80,000
	Equity attributable to owners of the parent	604,532	555,850	604,532	555,850
14	Non-controlling interests	0	18,733	0	0
	Total equity	604,532	574,583	604,532	555,850
15	Provisions for deferred tax	9,105	10,723	0	0
16	Other provisions	15,130	15,501	14,427	14,784
	Total provisions	24,235	26,224	14,427	14,784
	Prepayments received from customers	18,213	40,290	15,954	34,558
	Trade payables	53,557	63,371	54,529	59,743
	Payables to group enterprises	1,689	0	3,566	4,329
	Income taxes	26,008	9,809	28,173	10,682
	Other payables	53,602	43,807	51,192	40,548
	Total short-term payables	153,069	157,277	153,414	149,860
	Total payables	153,069	157,277	153,414	149,860
	Total equity and liabilities	781,836	758,084	772,373	720,494
17	Contingent liabilities				
18	Related parties				

Statement of changes in equity

Figures in DKK '000	Share capital	Reserve for net revaluation according to the equity method	Foreign currency translation reserve	Retained earnings	Proposed dividend for the financial year	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Group:								
Statement of changes in equity for 01.10.22 - 30.09.23								
Balance as at 01.10.22	50,000	0	6,673	419,177	80,000	555,850	18,733	574,583
Dividend paid	0	0	0	0	-80,000	-80,000	0	-80,000
Other changes in equity	0	0	0	0	0	0	-17,128	-17,128
Transfers to/from other reserves	0	0	-6,673	8,278	0	1,605	-1,605	0
Net profit/loss for the year	0	0	0	57,077	70,000	127,077	0	127,077
Balance as at 30.09.23	50,000	0	0	484,532	70,000	604,532	0	604,532

Parent:

Statement of changes in equity for 01.10.22 - 30.09.23

Balance as at 01.10.22	50,000	6,444	0	419,406	80,000	555,850	0	555,850
Dividend paid	0	0	0	0	-80,000	-80,000	0	-80,000
Other changes in equity	0	1,605	0	0	0	1,605	0	1,605
Net profit/loss for the year	0	-2,740	0	59,817	70,000	127,077	0	127,077
Balance as at 30.09.23	50,000	5,309	0	479,223	70,000	604,532	0	604,532

Consolidated cash flow statement

Note	Group	
	2022/23 DKK '000	2021/22 DKK '000
	127,077	120,796
Profit for the year		
19 Adjustments	42,396	50,692
Change in working capital:		
Inventories	45,221	-43,865
Receivables	2,396	14,838
Trade payables	-9,814	5,714
Other payables relating to operating activities	-10,594	18,338
Other provisions	-371	933
Cash flows from operating activities before net financials	196,311	167,446
Interest income and similar income received	7,658	3,239
Interest expenses and similar expenses paid	-2,178	-4,667
Income tax paid	-16,743	-49,397
Cash flows from operating activities	185,048	116,621
Purchase of property, plant and equipment	-16,897	-16,844
Sale of property, plant and equipment	382	133
Purchase of securities and equity investments	-183	-10,038
Purchase of subsidiaries and operations	-9,771	0
Loans	-2,643	-67,557
Cash flows from investing activities	-29,112	-94,306
Dividend paid	-80,000	-100,000
Repayment of payables to group enterprises	0	-2,582
Cash flows from financing activities	-80,000	-102,582
Total cash flows for the year	75,936	-80,267
Cash, beginning of year	218,579	298,846
Cash, end of year	294,515	218,579
Cash, end of year, comprises:		
Cash	294,515	218,579
Total	294,515	218,579

	Group		Parent	
	2022/23 DKK '000	2021/22 DKK '000	2022/23 DKK '000	2021/22 DKK '000

1. Revenue

Information about the distribution of revenue by activities and geographical markets is provided below. The segment information is prepared in accordance with the company's accounting policies and follows the company's internal financial management.

Revenue comprises the following activities:

Revenue from sale of climate solutions, farm management and digital value chain services for animal production	1,012,674	1,042,872	961,794	985,608
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Revenue comprises the following geographical markets:

Revenue, EU	460,962	448,491	449,069	438,540
Revenue, non EU	551,712	594,381	512,725	547,068
Total	1,012,674	1,042,872	961,794	985,608

2. Staff costs

Wages and salaries	201,243	201,601	180,323	177,453
Pensions	14,212	13,883	14,180	13,814
Other social security costs	4,158	4,543	2,928	3,100
Other staff costs	6,765	6,631	5,247	6,153
Total	226,378	226,658	202,678	200,520

Average number of employees during the year	431	451	357	370
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Remuneration to the executive board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

	Group		Parent	
	2022/23 DKK '000	2021/22 DKK '000	2022/23 DKK '000	2021/22 DKK '000

3. Fees to auditors appointed by the general meeting

Statutory audit of the financial statements	460	394	155	145
Other services	114	184	65	143
Total	574	578	220	288

4. Income from equity investments in group enterprises

Share of profit or loss of group enterprises	0	0	-2,369	4,132
Elimination of internal gains and losses	0	0	1,322	-2,575
Amortisation of goodwill	0	0	-1,693	-1,403
Total	0	0	-2,740	154

5. Financial income

Interest, group enterprises	0	0	463	308
Other interest income	4,890	427	4,716	398
Other financial income	2,768	2,812	2,989	2,909
Other financial income	7,658	3,239	7,705	3,307
Total	7,658	3,239	8,168	3,615

	Group		Parent	
	2022/23 DKK '000	2021/22 DKK '000	2022/23 DKK '000	2021/22 DKK '000
6. Proposed appropriation account				
Reserve for net revaluation according to the equity method	0	0	-2,740	6,444
Proposed dividend for the financial year	70,000	80,000	70,000	80,000
Non-controlling interests	0	-95	0	0
Retained earnings	57,077	40,891	59,817	34,446
Total	127,077	120,796	127,077	120,890

7. Intangible assets

Figures in DKK '000	Completed development projects	Acquired rights	Goodwill
Group:			
Cost as at 01.10.22	2,649	7,554	83,996
Foreign currency translation adjustment of foreign enterprises	-150	-427	-4,748
Cost as at 30.09.23	2,499	7,127	79,248
Amortisation and impairment losses as at 01.10.22	-1,590	-2,077	-12,599
Foreign currency translation adjustment of foreign enterprises	90	117	712
Amortisation during the year	-500	-653	-3,962
Amortisation and impairment losses as at 30.09.23	-2,000	-2,613	-15,849
Carrying amount as at 30.09.23	499	4,514	63,399

8. Property, plant and equipment

Figures in DKK '000	Leasehold improvements	Plant and machinery	Other fixtures and fittings, tools and equipment
Group:			
Cost as at 01.10.22	10,742	115,524	54,631
Foreign currency translation adjustment of foreign enterprises	0	-460	-125
Additions during the year	1,716	6,417	8,764
Disposals during the year	0	-2,845	-1,244
Cost as at 30.09.23	12,458	118,636	62,026
Depreciation and impairment losses as at 01.10.22	-9,532	-89,653	-42,434
Foreign currency translation adjustment of foreign enterprises	0	107	91
Depreciation during the year	-280	-9,668	-4,332
Reversal of depreciation of and impairment losses on disposed assets	0	2,938	1,048
Depreciation and impairment losses as at 30.09.23	-9,812	-96,276	-45,627
Carrying amount as at 30.09.23	2,646	22,360	16,399
Parent:			
Cost as at 01.10.22	10,742	112,876	51,956
Additions during the year	1,716	6,351	8,291
Disposals during the year	0	-2,845	-1,047
Cost as at 30.09.23	12,458	116,382	59,200
Depreciation and impairment losses as at 01.10.22	-9,532	-88,499	-40,462
Depreciation during the year	-280	-9,391	-4,124
Reversal of depreciation of and impairment losses on disposed assets	0	2,845	896
Depreciation and impairment losses as at 30.09.23	-9,812	-95,045	-43,690
Carrying amount as at 30.09.23	2,646	21,337	15,510

9. Investments

Figures in DKK '000	Equity invest- ments in group enterprises	Other invest- ments
Group:		
Cost as at 01.10.22	0	10,038
Additions during the year	0	183
Cost as at 30.09.23	0	10,221
Carrying amount as at 30.09.23	0	10,221
Parent:		
Cost as at 01.10.22	92,756	10,038
Additions during the year	9,771	183
Cost as at 30.09.23	102,527	10,221
Revaluations as at 01.10.22	6,445	0
Additions relating to mergers and acquisition of enterprises	8,953	0
Foreign currency translation adjustment of foreign enterprises	-7,349	0
Amortisation of goodwill	-1,693	0
Net profit/loss from equity investments	-2,369	0
Changes in intra-group profit from inventories	1,322	0
Revaluations as at 30.09.23	5,309	0
Carrying amount as at 30.09.23	107,836	10,221

9. Investments - continued -

Figures in DKK '000	Equity invest- ments in group enterprises	Other invest- ments
The item comprises goodwill as at 30.09.23 of	27,426	0
Positive balances ascertainable on initial recognition of equity investments measured at equity value	34,283	0
Name and registered office:		Ownership interest
Subsidiaries:		
SKOV Asia Ltd., Bangkok		100%
SKOV Technical Services (Tianjin) Co. Ltd., Tianjin		100%
SKOV North America, Inc., Georgia		100%
SKOV Russia LLC, Tambov		100%
Secco Canada Holdings Inc., Saint-Hyacinthe, Quebec		100%
dol a/s, Aarhus		100%

10. Other non-current financial assets

Figures in DKK '000	Receivables from group enterprises	Other receivables
Group:		
Cost as at 01.10.22	0	68,868
Additions during the year	0	9,701
Disposals during the year	0	-7,058
Cost as at 30.09.23	0	71,511
Carrying amount as at 30.09.23	0	71,511
Parent:		
Cost as at 01.10.22	13,887	68,868
Additions during the year	0	9,701
Disposals during the year	-785	-7,058
Cost as at 30.09.23	13,102	71,511
Carrying amount as at 30.09.23	13,102	71,511

	Group		Parent	
	30.09.23 DKK '000	30.09.22 DKK '000	30.09.23 DKK '000	30.09.22 DKK '000

11. Prepayments

Prepayments	14,494	10,833	13,486	9,177
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Prepayments consist of prepaid expenses concerning rent, licenses and subscriptions etc.

12. Receivables

Receivables which fall due for payment more than 1 year after the end of the financial year	17,608	9,328	17,608	9,328
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13. Share capital

The share capital consists of:

	Quantity	Total nominal value DKK'000
Share capital	50,000	50,000
Total		50,000

	Group		Parent	
	30.09.23 DKK '000	30.09.22 DKK '000	30.09.23 DKK '000	30.09.22 DKK '000
Non-controlling interests, beginning of year	18,733	17,147	0	0
Foreign currency translation adjustment of foreign enterprises	0	1,681	0	0
Other changes in equity	-17,128	0	0	0
Transfers to/from other reserves	-1,605	0	0	0
Net profit/loss for the year (distribution of net profit)	0	-95	0	0
Total	0	18,733	0	0

15. Deferred tax

Deferred tax as at 01.10.22	10,723	10,756	-1,265	-628
Deferred tax recognised in the income statement	-1,618	-33	96	-637
Deferred tax as at 30.09.23	9,105	10,723	-1,169	-1,265

Deferred tax is recognized in the balance
sheet as:

Deferred tax asset	0	0	-1,169	-1,265
Provisions for deferred tax	9,105	10,723	0	0
Total	9,105	10,723	-1,169	-1,265

16. Other provisions

Figures in DKK '000 Other provisions

Group:

Provisions as at 01.10.22	15,501
Reversed provision in respect of previous years	-371
Provisions as at 30.09.23	15,130

Parent:

Provisions as at 01.10.22	14,784
Reversed provision in respect of previous years	-357
Provisions as at 30.09.23	14,427

	Group		Parent	
	30.09.23	30.09.22	30.09.23	30.09.22
	DKK '000	DKK '000	DKK '000	DKK '000

Other provisions are expected to be distributed as follows:

Non-current liabilities	15,130	15,501	14,427	14,784
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17. Contingent liabilities

Group:

Lease commitments

Lease obligations amounts to a total of MDKK 214 at September 30 2023. The group has concluded lease agreements relating to plant and machinery with terms to maturity of 3-169 months. Obligations relating to lease of buildings for SKOV A/S. Glyngøre, MDKK 206, is entered until October 30 2037. Obligations relating to lease of buildings for Secco International Inc., MDKK 3, is entered until November 30 2024.

The group has concluded lease agreements with group enterprises entered until October 30 2037 and total lease payments of MDKK 206.

Parent:

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and has joint, several and unlimited liability for income taxes and any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The total known tax liability for the jointly taxed companies is MDKK 28 at the balance sheet date. The liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.

18. Related parties

Controlling influence	Basis of influence
Big Dutchman AG, Germany	Ultimate parent company
Meerpohl family	Owners of parent company, Big Dutchman AG

Related party transactions are not disclosed, as all transactions are entered into in the ordinary course of business at arms' length.

The company has intercompany accounts with group enterprises. The intercompany accounts appear from the balance sheet and are subject to interest calculation.

	Group	
	2022/23 DKK '000	2021/22 DKK '000
Other operating income	-257	-20
Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	19,516	18,432
Other operating expenses	231	0
Financial income	-7,658	-3,239
Financial expenses	2,178	4,667
Tax on profit or loss for the year	33,845	28,384
Other adjustments	-5,459	2,468
Total	42,396	50,692

19. Adjustments for the cash flow statement

20. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act for large groups and enterprises in reporting class C.

The accounting policies have been applied consistently with previous years.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the parent and its subsidiaries in which the parent directly or indirectly holds more than 50% of the voting rights or by way of agreements exercises control.

All financial statements used for consolidation are prepared in accordance with the accounting policies of the group.

The consolidated financial statements consolidate the financial statements of the parent and its subsidiaries by adding together items of a uniform nature, eliminating intercompany income and expenditure, equity investments, intercompany balances and dividends as well as gains and losses resulting from transactions between the consolidated enterprises to the extent that the underlying assets and liabilities are not realised.

20. Accounting policies - continued -**Non-controlling interests**

The financial items of the subsidiaries are recognised in full in the consolidated financial statements. The non-controlling interests' proportionate share of the subsidiaries' equity is classified as a part of consolidated equity. The subsidiaries' results are distributed proportionately to non-controlling interests and the parent's equity interest.

Purchase and sale of non-controlling interests in a subsidiary which do not result in changes in control of the subsidiary are treated in the consolidated financial statements as equity transactions, and the difference between the consideration and the carrying amount is allocated to the parent's equity interest.

CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

On recognition of independent foreign entities, the income statements are translated at the exchange rates applicable at the transaction date or approximate average exchange rates. The balance sheet items are translated using the exchange rates applicable at the balance sheet date. Foreign currency translation adjustments arising from the translation of equity at the beginning of the year using the exchange rates applicable at the balance sheet date and from the translation of income statements from average exchange rates to the exchange rates applicable at the balance sheet date are recognised directly in equity under the reserve for net revaluation according to the equity method in respect of investments measured according to the equity method, and otherwise under the foreign currency translation reserve.

Translation adjustments of intercompany balances with independent foreign entities, measured using the equity method and where the balance is considered to be part of the overall investment, are recognised directly in equity under the foreign currency translation reserve. On the divestment of foreign entities, accumulated exchange differences are recognised in the income statement.

20. Accounting policies - continued -**LEASES**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

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

GRANTS

Grants are recognised when there is reasonable certainty that the grant conditions have been met and that the grant will be received.

Grants to cover expenses incurred are recognised on a proportionate basis in the income statement over the period in which the expenses eligible for grants are expensed. Grants are recognised under other operating income.

INCOME STATEMENT**Revenue**

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

20. Accounting policies - continued -**Other operating income**

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

20. Accounting policies - continued -**Depreciation, amortisation and impairment losses**

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value DKK '000
Completed development projects	5	
Acquired rights	20	0
Goodwill	20	0
Leasehold improvements	5-10	0
Plant and machinery	3-5	0
Other plant, fixtures and fittings, tools and equipment	3-5	0

Goodwill is amortised over 20 years. The useful life has been determined in consideration of the expected future net earnings of the enterprise or activity to which the goodwill relates.

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Other operating expenses

Other operating expenses comprise costs of a secondary nature in relation to the enterprise's activities, including costs relating to rental activities and losses on the sale of intangible assets and property, plant and equipment.

Income from equity investments in group enterprises

For equity investments in subsidiaries that in the parent are measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses.

Income from equity investments in equity investments in subsidiaries also comprises gains and losses on the sale of equity investments.

20. Accounting policies - continued -**Other net financials**

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises. The parent is the administration company for the joint taxation and thus settles all income tax payments with the tax authorities.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

BALANCE SHEET**Intangible assets***Completed development projects*

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

Completed development projects are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Acquired rights

Acquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Goodwill

Goodwill is measured in the balance sheet at cost less accumulated amortisation and impairment losses.

20. Accounting policies - continued -

Goodwill is amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains or losses on the disposal of intangible assets

Gains or losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

Property, plant and equipment

Property, plant and equipment comprise leasehold improvements, plant and machinery as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Equity investments in group enterprises

Equity investments in subsidiaries are recognised and measured according to the equity method in the balance sheet of the parent. For equity investments in subsidiaries, the equity method is considered a measurement method.

On initial recognition, equity investments measured according to the equity method are measured at cost. Transaction costs directly attributable to the acquisition are recognised in the cost of equity investments. However, transaction costs on the acquisition of subsidiaries are recognised in the income statement in the consolidated financial statements at the date incurred.

On subsequent recognition and measurement of equity investments according to the equity method, equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of goodwill and gains and losses on transactions with the enterprises in question. Equity investments,

20. Accounting policies - continued -

where information for recognition according to the equity method is not known, are measured at cost.

On the acquisition of non-controlling interests in subsidiaries, the the acquisition method is applied in the balance sheet of the parent, according to which the acquired identifiable assets and liabilities are measured at fair value at the date of acquisition.

Gains or losses on disposal of equity investments are determined as the difference between the disposal consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income statement under income from equity investments.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist. Impairment losses on goodwill are not reversed, unless goodwill is included in the carrying amount of equity investments.

20. Accounting policies - continued -**Inventories**

Inventories are measured at cost. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The cost of manufactured finished goods and work in progress is determined as the value of direct and indirect material and labour costs. Production overheads include indirect material and labour costs as well as maintenance and depreciation of machinery, buildings and equipment used in the production process as well as the costs of factory administration and management. Interest on loans arranged to finance production is not included in the cost.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Other investments

Equity investments that are not classified as group enterprises, associates or participating interests and which are not traded in an active market are measured in the balance sheet at cost.

Cash

Cash includes deposits in bank accounts as well as operating cash.

20. Accounting policies - continued -**Equity**

The proposed dividend for the financial year is recognised as a separate item in equity.

The net revaluation of equity investments measured according to the equity method is recognized in the financial statements of the parent in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

Unrealised foreign currency gains and losses from the translation of the net investment in independent foreign entities are recognised in equity under the foreign currency translation reserve. The reserve is dissolved when the independent foreign entities are disposed of.

Provisions

Other provisions comprise expected expenses incidental to restructuring etc. and are recognised when the company has a legal or constructive obligation at the balance sheet date and it is probable that such obligation will draw on the financial resources of the company. Provisions are measured at net realisable value or fair value if the provision is expected to be settled over the longer term.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities within the same tax jurisdiction or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates in the respective countries which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

20. Accounting policies - continued -**Payables**

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to the time and date of delivery of the agreed product or completion of the agreed service.

Deferred income

Deferred income under liabilities comprises payments received in respect of income in subsequent financial years.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, showing cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the parent's share capital and associated costs and financing from and dividends paid to shareholders as well as the arrangement and repayment of long-term payables.

Cash and cash equivalents at the beginning and end of the year comprise cash.

Referring to section 86(4) of the Danish Financial Statements Act a cash flow statement has not been prepared for the parent as the parent is included in the consolidated cash flow statement.