BEIERHOLM
VI SKABER BALANCE

SKOV A/S. Glyngøre

Hedelund 4, 7870 Roslev

CVR no. 87 45 71 17

Annual report
for the financial year 01.10.21 - 30.09.22

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 12.12.22

Henning Jensen
Dirigent

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Group information

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
Kai Oliver Stephan Wehmeyer
Jan Ove Thomas Nilsson
Jørgen Yde Jensen
Peter Balling
Kim Standly

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Banks

Danske Bank A/S
Sydbank A/S
Commerzbank AG

Lawyer

Gorissen Federspiel

Group chart

Parent Company

SKOV A/S. Glyngøre
Glyngøre, Denmark

Consolidated subsidiaries

100%

SKOV Asia Ltd.
Bangkok, Thailand

100%

SKOV Technical Services
(Tianjin) Co., Ltd.
Tianjin, China

100%

SKOV North America, Inc.
Atlanta, USA

100%

SKOV Russia LLC
Tambov, Russia

100%

dol a/s
Aarhus N, Denmark

100%

Secco Canada Holdings Inc.
Saint-Hyacinthe, Canada

80%

Secco International Inc.
Saint-Hyacinthe, Canada

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 01.10.21 - 30.09.22 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 30.09.22 and of the results of the group's and parent's activities and of the group's cash flows for the financial year 01.10.21 - 30.09.22.

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 12, 2022

Executive Board

Leo Østergaard
CEO

Board of Directors

Robert Jean Nicolas Didier Lousberg Chairman	Kai Oliver Stephan Wehmeyer	Jan Ove Thomas Nilsson
Jørgen Yde Jensen	Peter Balling	Kim Standly

Independent auditor's report

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 01.10.21 - 30.09.22, 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 30.09.22 and of the results of the group's and the parent company's operations and the consolidated cash flows for the financial year 01.10.21 - 30.09.22 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 parent company 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 parent company 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 parent company 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 parent company 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 parent company 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 parent company 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 parent company 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 parent company 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 parent company 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 parent company 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 parent company 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 parent company financial statements, including the disclosures, and whether the consolidated financial statements and parent company 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 per-formance 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 12, 2022

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Allan Aakmann Christensen	Martin Olesen Furbo
State Authorized Public Accountant	State Authorized Public Accountant
MNE-no. mne35463	MNE-no. mne32204

GROUPS FINANCIAL HIGHLIGHTS

Key figures

Figures in MDKK	2021/22	2020/21	2019/20	2018/19	2017/18
Profit/loss					
Revenue	1,043	981	892	777	835
Operating profit	151	173	121	88	107
Total net financials	-1	0	-1	-1	-5
Profit for the year	121	140	100	67	79
Balance					
Total assets	758	723	583	468	404
Investments in property, plant and equipment	17	6	12	24	9
Equity	575	543	398	321	273
Cashflow					
Net cash flow:					
Operating activities	117	99	133	80	101
Investing activities	-94	-3	-89	5	-6
Financing activities	-103	-12	-34	-21	-38
Cash flows for the year	-80	84	10	64	57

Ratios

	2021/22	2020/21	2019/20	2018/19	2017/18
Profitability					
Return on equity	21.6%	29.8%	27.8%	22.6%	31.2%
Gross margin	37.9%	41.6%	39.2%	38.6%	38.3%
Profit margin	14.4%	17.6%	13.6%	11.3%	12.8%
Return on assets	19.9%	23.8%	20.8%	18.8%	26.5%
Equity ratio					
Solvency ratio	75.8%	75.1%	68.3%	68.6%	67.6%
Others					
Number of employees (average)	451	462	431	389	381

Ratios definitions

Return on equity: $\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$

Gross margin: $\frac{\text{Gross result x 100}}{\text{Revenue}}$

Profit margin: $\frac{\text{Operating profit/loss x 100}}{\text{Revenue}}$

Solvency ratio: $\frac{\text{Equity, end of year x 100}}{\text{Total assets}}$

Return on assets $\frac{\text{Profit before financials x 100}}{\text{Total assets}}$

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 120.796 which is considered satisfactory. The balance sheet shows equity of TDKK 574.583.

SKOV has in 2021/22 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.

SKOV started in 2020/21 to develop and sell climate solutions for insect production of e.g. the black soldier fly, and SKOV continued to invest in developing solutions and building its organization for this feed industry in 2021/22. Like other livestock animals, the productivity of insects is highly dependent of 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 2021/22 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. The consequences of the Covid-19 pandemic and the war in Ukraine brings challenges related to market uncertainty, sourcing of materials, inflation and increased interest rates. All factors which are expected to have a negative impact on the financial performance of SKOV in 2022/23. These factors especially have 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 2022/23 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.

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 are globally still expected to increase. Further, by supplying solutions to the new insect business area, SKOV enters an interesting sustainable feed industry that is expected to grow 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 invest in new solutions, a strong market presence and an efficient organization that delivers quality to customers. The objective of SKOV is to have a 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 2021/22 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 started in 2021/22 to exchange gas boilers to heat pumps and will continue in 2022/23 with the objective to end SKOV's consumption of gas. Further, the new SKOV distribution center that will be in operation by November 2022 is equipped with solar cells and heat pumps with the purpose to make it a zero-carbon-emission facility.

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 mainly takes 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 five 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 2021/22.

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 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.

Corporate social responsibility - continued -

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 works on keeping a good working environment, and several initiatives have taken place during the year. Each individual employee has a yearly development conversation with a 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 presents 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 6 members of which 4 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 2021/22 as there were no female candidates. The objective is that it should be reached before end of 2023, 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 2022 females had a share of 16% at other management levels, which is at the same level as September 2021. 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 difficult 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 2021/22 DKK '000	Group 2020/21 DKK '000	Parent 2021/22 DKK '000	Parent 2020/21 DKK '000
1	**Revenue**	**1,042,872**	**981,090**	**985,608**	**933,062**
	Other operating income	20	0	0	0
	Costs of raw materials and consumables	-551,600	-490,978	-514,773	-453,630
	Other external expenses	-95,594	-82,187	-109,977	-96,959
	Gross profit	**395,698**	**407,925**	**360,858**	**382,473**
2	Staff costs	-226,658	-218,921	-200,520	-196,112
	Profit before depreciation, amortisation, write-downs and impairment losses	**169,040**	**189,004**	**160,338**	**186,361**
	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-18,432	-16,298	-12,483	-14,378
	Other operating expenses	0	-35	0	-35
	Operating profit	**150,608**	**172,671**	**147,855**	**171,948**
4	Income from equity investments in group enterprises	0	0	154	171
5	Income from equity investments in associates	0	113	0	113
	Financial income	3,239	2,828	3,615	3,006
	Financial expenses	-4,667	-2,977	-4,023	-2,007
	Profit before tax	**149,180**	**172,635**	**147,601**	**173,231**
	Tax on profit for the year	-28,384	-32,460	-26,711	-32,734
	Profit for the year	**120,796**	**140,175**	**120,890**	**140,497**

6 Proposed appropriation account

Balance sheet

ASSETS

Note		Group 30.09.22 DKK '000	Group 30.09.21 DKK '000	Parent 30.09.22 DKK '000	Parent 30.09.21 DKK '000
	Completed development projects	1,059	1,442	0	0
	Acquired rights	5,477	5,600	0	0
	Goodwill	71,397	68,801	0	0
7	**Total intangible assets**	**77,933**	**75,843**	**0**	**0**
	Leasehold improvements	1,210	320	1,210	320
	Plant and machinery	25,871	29,143	24,377	27,582
	Other fixtures and fittings, tools and equipment	12,198	5,913	11,494	5,125
8	**Total property, plant and equipment**	**39,279**	**35,376**	**37,081**	**33,027**
9	Equity investments in group enterprises	0	0	99,201	90,378
10	Receivables from group enterprises	0	0	13,887	7,562
9	Other investments	10,038	0	10,038	0
10	Other receivables	68,868	1,311	68,868	1,311
	Total investments	**78,906**	**1,311**	**191,994**	**99,251**
	Total non-current assets	**196,118**	**112,530**	**229,075**	**132,278**
	Raw materials and consumables	84,329	40,705	83,912	39,116
	Work in progress	6,013	10,446	2,359	7,384
	Manufactured goods and goods for resale	97,647	92,973	69,906	71,107
	Total inventories	**187,989**	**144,124**	**156,177**	**117,607**
	Trade receivables	100,870	119,147	94,354	110,044
	Receivables from group enterprises	35,184	32,603	36,137	35,983
	Deferred tax asset	0	0	1,265	628
	Other receivables	8,511	8,866	8,180	8,065
11	Prepayments	10,833	7,039	9,177	7,018
12	**Total receivables**	**155,398**	**167,655**	**149,113**	**161,738**
	Cash	**218,579**	**298,846**	**186,129**	**272,685**
	Total current assets	**561,966**	**610,625**	**491,419**	**552,030**
	Total assets	**758,084**	**723,155**	**720,494**	**684,308**

Balance sheet

EQUITY AND LIABILITIES

Note		Group		Parent	
		30.09.22 DKK '000	30.09.21 DKK '000	30.09.22 DKK '000	30.09.21 DKK '000
13	Share capital	50,000	50,000	50,000	50,000
	Reserve for net revaluation according to the equity method	0	0	6,444	0
	Foreign currency translation reserve	6,673	-1,996	0	0
	Retained earnings	419,177	378,286	419,406	376,291
	Proposed dividend for the financial year	80,000	100,000	80,000	100,000
	Equity attributable to owners of the parent	**555,850**	**526,290**	**555,850**	**526,291**
14	Non-controlling interests	18,733	17,147	0	0
	Total equity	**574,583**	**543,437**	**555,850**	**526,291**
15	Provisions for deferred tax	10,723	10,756	0	0
16	Other provisions	15,501	14,568	14,784	13,931
	Total provisions	**26,224**	**25,324**	**14,784**	**13,931**
	Prepayments received from customers	40,290	16,550	34,558	7,587
	Trade payables	63,371	57,658	59,743	56,309
	Payables to group enterprises	0	0	4,329	1,723
	Income taxes	9,809	29,263	10,682	30,339
	Other payables	43,807	48,609	40,548	46,230
17	Deferred income	0	2,314	0	1,898
	Total short-term payables	**157,277**	**154,394**	**149,860**	**144,086**
	Total payables	**157,277**	**154,394**	**149,860**	**144,086**
	Total equity and liabilities	**758,084**	**723,155**	**720,494**	**684,308**

18 Contingent liabilities
19 Related parties

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 01.10.21 - 30.09.22								
Balance as at 01.10.21	50,000	0	-1,996	378,286	100,000	526,290	17,147	543,437
Foreign currency translation adjustment of foreign enterprises	0	0	8,669	0	0	8,669	1,681	10,350
Dividend paid	0	0	0	0	-100,000	-100,000	0	-100,000
Net profit/loss for the year	0	0	0	40,891	80,000	120,891	-95	120,796
Balance as at 30.09.22	50,000	0	6,673	419,177	80,000	555,850	18,733	574,583
Parent:								
Statement of changes in equity for 01.10.21 - 30.09.22								
Balance as at 01.10.21	50,000	0	0	376,291	100,000	526,291	0	526,291
Foreign currency translation adjustment of foreign enterprises	0	8,669	0	0	0	8,669	0	8,669
Dividend paid	0	0	0	0	-100,000	-100,000	0	-100,000
Transfers to/from other reserves	0	-8,669	0	8,669	0	0	0	0
Net profit/loss for the year	0	6,444	0	34,446	80,000	120,890	0	120,890
Balance as at 30.09.22	50,000	6,444	0	419,406	80,000	555,850	0	555,850

Consolidated cash flow statement

Note		Group 2021/22 DKK '000	Group 2020/21 DKK '000
	Profit for the year	**120,796**	**140,175**
20	Adjustments	50,692	53,871
	Change in working capital:		
	Inventories	-43,865	-24,207
	Receivables	14,838	-33,935
	Trade payables	5,714	10,205
	Other payables relating to operating activities	18,338	-24,879
	Other provisions	933	0
	Cash flows from operating activities before net financials	**167,446**	**121,230**
	Interest income and similar income received	3,239	2,828
	Interest expenses and similar expenses paid	-4,667	-2,977
	Income tax paid	-49,397	-21,905
	Cash flows from operating activities	**116,621**	**99,176**
	Purchase of property, plant and equipment	-16,844	-6,202
	Sale of property, plant and equipment	133	252
	Purchase of securities and equity investments	-10,038	0
	Purchase of subsidaries and operations	0	2,649
	Loans	-67,557	0
	Cash flows from investing activities	**-94,306**	**-3,301**
	Dividend paid	-100,000	0
	Arrangement of payables to group entreprises	0	-326
	Repayment of payables to group entreprises	-2,582	-10,035
	Repayment of payables to associates	0	-1,221
	Cash flows from financing activities	**-102,582**	**-11,582**
	Total cash flows for the year	**-80,267**	**84,293**
	Cash, beginning of year	298,846	214,553
	Cash, end of year	**218,579**	**298,846**
	Cash, end of year, comprises:		
	Cash	218,579	298,846
	Total	**218,579**	**298,846**

	Group		Parent	
	2021/22 DKK '000	2020/21 DKK '000	2021/22 DKK '000	2020/21 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:

	2021/22	2020/21	2021/22	2020/21
Revenue from sale of climate solutions, farm management and digital value chain services for animal production	1,042,872	981,090	985,608	933,062

Revenue comprises the following geographical markets:

	2021/22	2020/21	2021/22	2020/21
Revenue, EU	448,491	413,151	438,540	404,795
Revenue, non EU	594,381	567,939	547,068	528,267
Total	1,042,872	981,090	985,608	933,062

2. Staff costs

	2021/22	2020/21	2021/22	2020/21
Wages and salaries	201,601	194,978	177,453	174,029
Pensions	13,883	13,200	13,814	13,153
Other social security costs	3,100	2,889	3,100	2,889
Other staff costs	8,074	7,854	6,153	6,041
Total	226,658	218,921	200,520	196,112
Average number of employees during the year	451	462	370	372

Remuneration to the executive board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

	Group		Parent	
	2021/22 DKK '000	2020/21 DKK '000	2021/22 DKK '000	2020/21 DKK '000

3. Fees to auditors appointed by the general meeting

Statutory audit of the financial statements	394	293	145	155
Other services	184	309	143	121
Total	578	602	288	276

4. Income from equity investments in group enterprises

Share of profit or loss of group enterprises	0	0	4,132	2,297
Elimination of internal gains and losses	0	0	-2,575	-883
Amortisation of goodwill	0	0	-1,403	-1,243
Total	0	0	154	171

5. Income from equity investments in associates

Share of profit or loss of associates	0	113	0	113

6. Proposed appropriation account

Reserve for net revaluation according to the equity method	0	0	6,444	0
Proposed dividend for the financial year	80,000	100,000	80,000	100,000
Non-controlling interests	-95	-321	0	0
Retained earnings	40,891	40,496	34,446	40,497
Total	120,796	140,175	120,890	140,497

7. Intangible assets

Figures in DKK '000	Completed development projects	Acquired rights	Goodwill
Group:			
Cost as at 01.10.21	2,404	6,856	76,234
Foreign currency translation adjustment of foreign enterprises	245	698	7,762
Cost as at 30.09.22	2,649	7,554	83,996
Amortisation and impairment losses as at 01.10.21	-962	-1,256	-7,433
Foreign currency translation adjustment of foreign enterprises	-98	-128	-967
Amortisation during the year	-530	-693	-4,199
Amortisation and impairment losses as at 30.09.22	-1,590	-2,077	-12,599
Carrying amount as at 30.09.22	1,059	5,477	71,397

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 01.10.21	9,733	109,175	44,509
Foreign currency translation adjustment of foreign enterprises	0	231	196
Additions during the year	1,009	6,074	9,761
Disposals during the year	0	0	-724
Transfers during the year to/from other items	0	44	889
Cost as at 30.09.22	10,742	115,524	54,631
Depreciation and impairment losses as at 01.10.21	-9,413	-80,032	-38,594
Foreign currency translation adjustment of foreign enterprises	0	-50	-134
Depreciation during the year	-119	-9,501	-3,426
Reversal of depreciation of and impairment losses on disposed assets	0	0	611
Transfers during the year to/from other items	0	-70	-890
Depreciation and impairment losses as at 30.09.22	-9,532	-89,653	-42,433
Carrying amount as at 30.09.22	1,210	25,871	12,198
Parent:			
Cost as at 01.10.21	9,733	106,934	41,822
Additions during the year	1,009	5,942	9,587
Transfers during the year to/from other items	0	0	547
Cost as at 30.09.22	10,742	112,876	51,956
Depreciation and impairment losses as at 01.10.21	-9,413	-79,352	-36,697
Depreciation during the year	-119	-9,147	-3,218
Transfers during the year to/from other items	0	0	-547
Depreciation and impairment losses as at 30.09.22	-9,532	-88,499	-40,462
Carrying amount as at 30.09.22	1,210	24,377	11,494

9. Investments

Figures in DKK '000	Equity investments in group enterprises	Other investments
Group:		
Additions during the year	0	10,038
Cost as at 30.09.22	0	10,038
Carrying amount as at 30.09.22	0	10,038
Parent:		
Cost as at 01.10.21	92,756	0
Additions during the year	0	10,038
Cost as at 30.09.22	92,756	10,038
Revaluations as at 01.10.21	-2,378	0
Foreign currency translation adjustment of foreign enterprises	8,669	0
Amortisation of goodwill	-1,403	0
Net profit/loss from equity investments	4,132	0
Changes in intra-group profit from inventories	-2,575	0
Revaluations as at 30.09.22	6,445	0
Carrying amount as at 30.09.22	99,201	10,038
The item comprises goodwill as at 30.09.22 of	24,709	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 01.10.21	0	1,311
Additions during the year	0	67,557
Cost as at 30.09.22	0	68,868
Carrying amount as at 30.09.22	0	68,868
Parent:		
Cost as at 01.10.21	7,562	1,311
Additions during the year	6,325	67,557
Cost as at 30.09.22	13,887	68,868
Carrying amount as at 30.09.22	13,887	68,868

	Group		Parent	
	30.09.22 DKK '000	30.09.21 DKK '000	30.09.22 DKK '000	30.09.21 DKK '000

11. Prepayments

Prepayments	10,833	7,039	9,177	7,018

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest rates as well.

12. Receivables

Receivables which fall due for payment more than 1 year after the end of the financial year	9,328	7,672	9,328	7,672

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	
	30.09.22 DKK '000	30.09.21 DKK '000	30.09.22 DKK '000	30.09.21 DKK '000
14. Non-controlling interests				
Non-controlling interests, beginning of year	17,147	16,439	0	0
Foreign currency translation adjustment of foreign enterprises	1,681	1,029	0	0
Net profit/loss for the year (distribution of net profit)	-95	-321	0	0
Total	18,733	17,147	0	0

15. Deferred tax

Deferred tax as at 01.10.21	10,756	11,956	-628	-110
Deferred tax recognised in the income statement	-33	-1,200	-637	-518
Deferred tax as at 30.09.22	10,723	10,756	-1,265	-628
Deferred tax is recognized in the balance sheet as:				
Deferred tax asset	0	0	-1,265	-628
Provisions for deferred tax	10,723	10,756	0	0
Total	10,723	10,756	-1,265	-628

16. Other provisions

Figures in DKK '000	Other provisions
Group:	
Provisions as at 01.10.21	14,568
Provisions during the year	933
Provisions as at 30.09.22	15,501
Parent:	
Provisions as at 01.10.21	13,931
Provisions during the year	853
Provisions as at 30.09.22	14,784

	Group		Parent	
	30.09.22 DKK '000	30.09.21 DKK '000	30.09.22 DKK '000	30.09.21 DKK '000
Other provisions are expected to be distributed as follows:				
Non-current liabilities	15,501	14,568	14,784	13,931

17. Deferred income

Deferred income	0	2,314	0	1,898

Deferred income consists of payments received in respect of income in subsequent years.

18. Contingent liabilities

Group:

Lease commitments

Lease obligations amounts to a toal of MDKK 64 at September 30 2022. The group has concluded lease agreements relating to plant and machinery with terms to maturity of 3-58 months. Obligations relating to lease of buildings for SKOV A/S. Glyngøre, MDKK 52, is entered until October 1 2028. Obligations relating to lease of buildings for Secco International Inc., MDKK 5, is entered until November 30 2024.

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 11 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.

The parent company and the group companies has in connection with the purchase of a new subsidary company entered into an agreement with minority stockholders. The agreement obligates the group to purchase the remaining shares until 2029. Purchase and sale can be done successively in the period from 2022 to 2029. The agreed purchase sum for the aqquired shares is variabel and based on the subsidary companys profit.

19. 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	
	2021/22 DKK '000	2020/21 DKK '000
20. Adjustments for the cash flow statement		
Other operating income	-20	0
Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	18,432	16,298
Other operating expenses	0	35
Income from equity investments in associates	0	-113
Financial income	-3,239	-2,828
Financial expenses	4,667	2,977
Tax on profit or loss for the year	28,384	32,460
Other adjustments	2,468	5,042
Total	50,692	53,871

21. 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.

21. 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.

21. 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 inte┐rest 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.

Income from the sale of services is recognised in the income statement as delivery takes place (delivery method). Revenue is measured at the selling value of the agreed consideration exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

21. 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.

21. 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	0
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 entreprises and associates

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 and associates also comprises gains and losses on the sale of equity investments.

21. 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

Aquired 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.

21. 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 entreprises

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,

21. Accounting policies - continued -

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

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.

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 material and labour costs. 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.

21. Accounting policies - continued -

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.

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.

21. Accounting policies - continued -

Provisions

Other provisions comprise expected expenses incidental to warranty commitments, 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.

Warranty commitments comprise the obligation to repair defective work within the warranty period of 1-5 years. Warranty commitments are measured at net realisable value and recognised based on previous years' experience with warranty work.

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.

Payables

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

21. Accounting policies - continued -

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.