

## **Flonidan A/S**

Islandsvej 29  
8700 Horsens  
CVR No. 89919916

### **Annual report 01.10.2019 - 30.09.2020**

The Annual General Meeting adopted the  
annual report on 05.01.2021

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**Lars Kudsk**

Chairman of the General Meeting

# Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2019/20	10
Balance sheet at 30.09.2020	11
Statement of changes in equity for 2019/20	13
Cash flow statement for 2019/20	14
Notes	15
Accounting policies	22

# Entity details

## Entity

Flonidan A/S  
Islandsvej 29  
8700 Horsens

CVR No.: 89919916  
Registered office: Horsens  
Financial year: 01.10.2019 - 30.09.2020

## Board of Directors

Hans Ottosen, Chairman of the board  
Sven Ruder  
Lars Kudsk

## Executive Board

Sten Dyrmoose, Managing director

## Auditors

Deloitte Statsautoriseret Revisionspartnerselskab  
City Tower, Værkmestergade 2  
8000 Aarhus C

# Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Flonidan A/S for the financial year 01.10.2019 - 30.09.2020.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.09.2020 and of the results of its operations and cash flows for the financial year 01.10.2019 - 30.09.2020.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Horsens, 15.12.2020

## Executive Board

### **Sten Dyrmosé**

Managing director

## Board of Directors

### **Hans Ottosen**

Chairman of the board

### **Sven Ruder**

### **Lars Kudsk**

# Independent auditor's report

## To the shareholder of Flonidan A/S

### Opinion

We have audited the financial statements of Flonidan A/S for the financial year 01.10.2019 - 30.09.2020, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.09.2020 and of the results of its operations and cash flows for the financial year 01.10.2019 - 30.09.2020 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Management's responsibilities for the financial statements

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

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

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

**Statement on the management commentary**

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aarhus, 15.12.2020

**Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR No. 33963556

**Henrik Vedel**

State Authorised Public Accountant  
Identification No (MNE) mne10052

**Søren Alsen Lauridsen**

State Authorised Public Accountant  
Identification No (MNE) mne40040

# Management commentary

## Financial highlights

	2019/20	2018/19	2017/18	2016/17	2015/16
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
<b>Key figures</b>					
Revenue	499,298	458,792	394,488	415,738	115,885
Gross profit/loss	99,723	64,226	75,396	70,763	28,112
Operating profit/loss	44,051	8,338	30,475	30,498	624
Net financials	406	(947)	(535)	(991)	(132)
Profit/loss for the year	34,677	6,241	24,484	23,927	292
Total assets	175,504	182,996	180,393	166,475	64,237
Investments in property, plant and equipment	14,506	15,957	9,932	4,373	2,966
Equity	100,586	70,411	85,138	60,653	40,914
Cash flows from (used in) operating activities	91,856	17,017	26,380	(3,744)	(9,835)
Cash flows from (used in) investing activities	(6,693)	(16,835)	(12,768)	(6,786)	(12,624)
Cash flows from (used in) financing activities	(5,453)	(20,451)	2,745	10	21,974
Average number of employees	61	62	57	53	46
<b>Ratios</b>					
Return on equity (%)	40.5	8.0	49.1	(10.8)	0.7
Equity ratio (%)	57.31	38.48	47.20	36.43	63.69

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

### Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

Average equity

### Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Total assets



### Primary activities

FLONIDAN is a supplier of smart electronic gas meters. Meters are sold to the gas sector internationally and are used for billing and analysis of gas consumption, primarily in private homes.

The head office is located in Horsens and houses R&D, purchasing, sales and administration. Production is outsourced.

### Development in activities and finances

In the 2019/20 financial year, the world market for smart gas meters experienced continued growth. The growth is driven by the ongoing digitalisation of the energy industry in conjunction with the increasingly important global climate and environment agenda.

In the 2019/20 financial year, FLONIDAN maintained its market position in the main Benelux and UK markets, despite increased competition and political uncertainty.

The COVID-19 pandemic has a significant impact on our main markets, primarily due to a slowdown in the installation of gas meters in private homes. This resulted in a declining order intake and a shorter order horizon in the last months of the financial year.

In the financial year, FLONIDAN achieved growth in net revenue of 8.8% compared to the previous year.

FLONIDAN achieved a profit before tax of DKK 44.4 million in 2019/20, compared to DKK 7.9 million in the previous year. The result is in line with expectations and is affected positively by increased revenue and the effect of completed product development activities. The result is considered to be satisfactory.

### Outlook

Due to the expected continued negative impact of COVID-19, a reduction in revenue and profit is expected in the coming year.

The new SciFlo ultrasonic smart gas meter will be launched to the markets from early 2021.

FLONIDAN plans to continue to invest in product development and market adaptation in the coming years.

### Particular risks

The overall market for smart gas meters is considered to be stable in the short term, but with significant geographical variations. The extent and timing of the implementation of smart gas meters is greatly influenced by government policies and regulations in the individual markets.

It is crucial for FLONIDAN to have a flexible business model whereby production can be scaled up and down according to varying demand in the different regions.

The company's currency risks are managed on the basis of a foreign exchange policy adopted by the Board of Directors. Orders in foreign currency (excluding EUR) are hedged through forward exchange contracts.

In the long term, we see the greatest growth potential in new markets outside Europe with different market structures and requirements. Through continued investments, FLONIDAN will remain at the forefront of the technological advancements and thereby ensure continued competitiveness in both new and existing markets.

**Statutory report on corporate social responsibility**

Reference is made to the consolidated and parental financial statements of AVK Holding A/S, Central Business Registration No 44782510, which include a report on AVK Group's corporate social responsibility.

**Statutory report on the underrepresented gender**

Reference is made to the consolidated and parental financial statements of AVK Holding A/S, Central Business Registration No. 44782510, which include a report on the AVK Group's target figures and policies for the underrepresented gender.

Concerning the Board of Directors, FLONIDAN has a target to increase the proportion of the underrepresented gender on the Board of Directors to 20% by 2022. At present, there are no women on the Board of Directors. This target was not achieved in the financial year, as no new board members were appointed during the year.

**Events after the balance sheet date**

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

# Income statement for 2019/20

	Notes	2019/20 DKK	2018/19 DKK
Revenue	2	499,298,210	458,791,523
Own work capitalised		0	547,280
Cost of sales		(379,033,790)	(372,229,004)
Other external expenses	3	(20,541,125)	(22,883,824)
<b>Gross profit/loss</b>		<b>99,723,295</b>	<b>64,225,975</b>
Staff costs	4	(44,578,786)	(44,508,186)
Depreciation, amortisation and impairment losses	5	(11,093,805)	(11,379,360)
<b>Operating profit/loss</b>		<b>44,050,704</b>	<b>8,338,429</b>
Income from investments in joint ventures		(63,017)	479,389
Other financial income		858,102	601,854
Other financial expenses	6	(451,831)	(1,548,963)
<b>Profit/loss before tax</b>		<b>44,393,958</b>	<b>7,870,709</b>
Tax on profit/loss for the year	7	(9,717,158)	(1,629,679)
<b>Profit/loss for the year</b>	8	<b>34,676,800</b>	<b>6,241,030</b>

# Balance sheet at 30.09.2020

## Assets

	Notes	2019/20 DKK	2018/19 DKK
Completed development projects	10	6,240,342	10,319,942
<b>Intangible assets</b>	9	<b>6,240,342</b>	<b>10,319,942</b>
Land and buildings		13,742,455	9,541,437
Plant and machinery		13,952,349	11,591,821
Other fixtures and fittings, tools and equipment		543,646	838,787
Property, plant and equipment in progress		801,310	7,387,738
<b>Property, plant and equipment</b>	11	<b>29,039,760</b>	<b>29,359,783</b>
Investments in joint ventures		2,129,582	2,192,599
<b>Other financial assets</b>	12	<b>2,129,582</b>	<b>2,192,599</b>
<b>Fixed assets</b>		<b>37,409,684</b>	<b>41,872,324</b>
Manufactured goods and goods for resale		35,320,548	42,540,983
Prepayments for goods		3,035	13,127
<b>Inventories</b>		<b>35,323,583</b>	<b>42,554,110</b>
Trade receivables		44,721,640	49,954,343
Receivables from group enterprises	21	42,015,624	0
Receivables from associates		14,595,511	47,084,782
Other receivables		10,923	1,280,544
Prepayments	13	617,678	202,916
<b>Receivables</b>		<b>101,961,376</b>	<b>98,522,585</b>
<b>Cash</b>		<b>809,219</b>	<b>47,305</b>
<b>Current assets</b>		<b>138,094,178</b>	<b>141,124,000</b>
<b>Assets</b>		<b>175,503,862</b>	<b>182,996,324</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2019/20 DKK</b>	<b>2018/19 DKK</b>
Contributed capital		4,000,000	4,000,000
Reserve for net revaluation according to the equity method		2,129,582	2,192,599
Reserve for development expenditure		4,631,755	6,458,299
Retained earnings		54,824,182	52,760,285
Proposed dividend		35,000,000	5,000,000
<b>Equity</b>		<b>100,585,519</b>	<b>70,411,183</b>
Deferred tax	14	511,195	1,733,722
Other provisions	15	1,620,000	2,578,906
<b>Provisions</b>		<b>2,131,195</b>	<b>4,312,628</b>
Mortgage debt		7,473,007	7,920,396
Other payables	16	602,414	643,860
<b>Non-current liabilities other than provisions</b>	17	<b>8,075,421</b>	<b>8,564,256</b>
Current portion of non-current liabilities other than provisions	17	451,955	492,853
Trade payables		32,102,377	44,979,189
Payables to group enterprises		1,193,150	43,497,921
Joint taxation contribution payable		10,734,660	2,762,264
Other payables	18	17,528,006	7,976,030
Deferred income	19	2,701,579	0
<b>Current liabilities other than provisions</b>		<b>64,711,727</b>	<b>99,708,257</b>
<b>Liabilities other than provisions</b>		<b>72,787,148</b>	<b>108,272,513</b>
<b>Equity and liabilities</b>		<b>175,503,862</b>	<b>182,996,324</b>
Events after the balance sheet date	1		
Contingent liabilities	22		
Assets charged and collateral	23		
Related parties with controlling interest	24		
Non-arm's length related party transactions	25		
Group relations	26		

# Statement of changes in equity for 2019/20

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Reserve for development expenditure DKK	Retained earnings DKK	Proposed dividend DKK
Equity beginning of year	4,000,000	2,192,599	6,458,299	52,760,285	5,000,000
Ordinary dividend paid	0	0	0	0	(5,000,000)
Fair value adjustments of hedging instruments	0	0	0	637,867	0
Tax of entries on equity	0	0	0	(140,331)	0
Transfer to reserves	0	(63,017)	(1,826,544)	1,889,561	0
Profit/loss for the year	0	0	0	(323,200)	35,000,000
<b>Equity end of year</b>	<b>4,000,000</b>	<b>2,129,582</b>	<b>4,631,755</b>	<b>54,824,182</b>	<b>35,000,000</b>

  

	Total DKK
Equity beginning of year	70,411,183
Ordinary dividend paid	(5,000,000)
Fair value adjustments of hedging instruments	637,867
Tax of entries on equity	(140,331)
Transfer to reserves	0
Profit/loss for the year	34,676,800
<b>Equity end of year</b>	<b>100,585,519</b>

# Cash flow statement for 2019/20

	Notes	2019/20 DKK	2018/19 DKK
Operating profit/loss		44,050,704	8,338,429
Amortisation, depreciation and impairment losses		11,093,805	11,379,360
Other provisions		(958,906)	828,906
Working capital changes	20	40,129,379	3,580,252
<b>Cash flow from ordinary operating activities</b>		<b>94,314,982</b>	<b>24,126,947</b>
Financial income received		990,105	601,854
Financial expenses paid		(583,832)	(1,548,963)
Taxes refunded/(paid)		(2,864,777)	(6,163,089)
<b>Cash flows from operating activities</b>		<b>91,856,478</b>	<b>17,016,749</b>
Acquisition etc of intangible assets		0	(877,884)
Acquisition etc of property, plant and equipment		(6,693,206)	(15,957,107)
<b>Cash flows from investing activities</b>		<b>(6,693,206)</b>	<b>(16,834,991)</b>
<b>Free cash flows generated from operations and investments before financing</b>		<b>85,163,272</b>	<b>181,758</b>
Repayments of loans etc		(453,393)	(450,707)
Dividend paid		(5,000,000)	(20,000,000)
<b>Cash flows from financing activities</b>		<b>(5,453,393)</b>	<b>(20,450,707)</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>79,709,879</b>	<b>(20,268,949)</b>
Cash and cash equivalents beginning of year		(36,885,036)	(16,616,087)
<b>Cash and cash equivalents end of year</b>		<b>42,824,843</b>	<b>(36,885,036)</b>
Cash and cash equivalents at year-end are composed of:			
Cash		809,219	47,305
Short-term debt to banks/amount on group cash pool		42,015,624	(36,932,341)
<b>Cash and cash equivalents end of year</b>		<b>42,824,843</b>	<b>(36,885,036)</b>

# Notes

## 1 Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

## 2 Revenue

	<b>2019/20</b>	<b>2018/19</b>
	<b>DKK</b>	<b>DKK</b>
Denmark	3,847,325	5,522,711
Other European countries	495,450,885	453,268,812
<b>Total revenue by geographical market</b>	<b>499,298,210</b>	<b>458,791,523</b>
G4 meters	448,725,142	381,536,536
G6 meters	21,552,629	13,318,587
G10 meters	868,248	979,585
G16 meters	1,617,973	2,444,418
G25 meters	363,058	535,186
OEM produkter	26,171,160	59,977,211
<b>Total revenue by activity</b>	<b>499,298,210</b>	<b>458,791,523</b>

## 3 Fees to the auditor appointed by the Annual General Meeting

Fees to the auditor appointed by the Annual General Meeting are not disclosed pursuant to S. 96(3) of the Danish Financial Statements Act.

## 4 Staff costs

	<b>2019/20</b>	<b>2018/19</b>
	<b>DKK</b>	<b>DKK</b>
Wages and salaries	40,537,644	40,378,196
Pension costs	2,570,692	2,654,904
Other social security costs	208,841	211,266
Other staff costs	1,261,609	1,263,820
	<b>44,578,786</b>	<b>44,508,186</b>

Average number of full-time employees	<b>61</b>	<b>62</b>
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	<b>Remuneration of management 2019/20 DKK</b>	<b>Remuneration of management 2018/19 DKK</b>
Total amount for management categories	4,678,665	4,653,077
	<b>4,678,665</b>	<b>4,653,077</b>



Management remuneration is shown collectively for management categories pursuant to S. 98b(3) of the Danish Financial Statements Act.

### 5 Depreciation, amortisation and impairment losses

	<b>2019/20</b>	<b>2018/19</b>
	<b>DKK</b>	<b>DKK</b>
Amortisation of intangible assets	4,079,600	4,911,618
Depreciation of property, plant and equipment	7,014,205	6,467,742
	<b>11,093,805</b>	<b>11,379,360</b>

### 6 Other financial expenses

	<b>2019/20</b>	<b>2018/19</b>
	<b>DKK</b>	<b>DKK</b>
Financial expenses from group enterprises	219,373	506,950
Other interest expenses	232,458	214,025
Exchange rate adjustments	0	827,988
	<b>451,831</b>	<b>1,548,963</b>

### 7 Tax on profit/loss for the year

	<b>2019/20</b>	<b>2018/19</b>
	<b>DKK</b>	<b>DKK</b>
Current tax	10,837,173	3,035,127
Change in deferred tax	(1,222,527)	(1,405,448)
Adjustment concerning previous years	102,512	0
	<b>9,717,158</b>	<b>1,629,679</b>

### 8 Proposed distribution of profit and loss

	<b>2019/20</b>	<b>2018/19</b>
	<b>DKK</b>	<b>DKK</b>
Ordinary dividend for the financial year	35,000,000	5,000,000
Retained earnings	(323,200)	1,241,030
	<b>34,676,800</b>	<b>6,241,030</b>

## 9 Intangible assets

	<b>Completed development projects DKK</b>
Cost beginning of year	24,574,814
<b>Cost end of year</b>	<b>24,574,814</b>
Amortisation and impairment losses beginning of year	(14,254,872)
Amortisation for the year	(4,079,600)
<b>Amortisation and impairment losses end of year</b>	<b>(18,334,472)</b>
<b>Carrying amount end of year</b>	<b>6,240,342</b>

## 10 Development projects

Development projects comprise internal and external expenses relating to development of products for new and existing markets. The Company's development projects in progress proceed according to the Company's project plan and expectations. The recognised value of completed development projects as well as development projects in progress corresponds to the expected future earnings. No indications of impairment of the carrying amount of development projects are deemed to exist at the balance sheet date.

## 11 Property, plant and equipment

	<b>Land and buildings DKK</b>	<b>Plant and machinery DKK</b>	<b>Other fixtures and fittings, tools and equipment DKK</b>	<b>Property, plant and equipment in progress DKK</b>
Cost beginning of year	19,450,659	29,158,006	2,384,821	7,387,738
Transfers	0	7,387,738	0	(7,387,738)
Additions	5,242,771	8,461,915	0	801,310
Disposals	0	(7,811,813)	0	0
<b>Cost end of year</b>	<b>24,693,430</b>	<b>37,195,846</b>	<b>2,384,821</b>	<b>801,310</b>
Depreciation and impairment losses beginning of year	(9,909,222)	(17,566,185)	(1,546,035)	0
Depreciation for the year	(1,041,753)	(5,677,312)	(295,140)	0
<b>Depreciation and impairment losses end of year</b>	<b>(10,950,975)</b>	<b>(23,243,497)</b>	<b>(1,841,175)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>13,742,455</b>	<b>13,952,349</b>	<b>543,646</b>	<b>801,310</b>

## 12 Financial assets

	<b>Investments in joint ventures DKK</b>
Revaluations beginning of year	2,192,599
Share of profit/loss for the year	(63,017)
<b>Revaluations end of year</b>	<b>2,129,582</b>
<b>Carrying amount end of year</b>	<b>2,129,582</b>

<b>Investments in joint ventures</b>	<b>Registered in</b>	<b>Corporate form</b>	<b>Equity interest %</b>
Floniskra V.O.F	Roosendaal, Netherlands	V.O.F	50%

## 13 Prepayments

Prepayments consist of prepaid expenses.

## 14 Deferred tax

	<b>2019/20 DKK</b>
<b>Changes during the year</b>	
Beginning of year	1,631,210
Recognised in the income statement	(1,222,527)
Regulations related to previous years	102,512
<b>End of year</b>	<b>511,195</b>

## 15 Other provisions

Other provisions consist of expected costs relating to warranty claims.

## 16 Other payables

	<b>2019/20 DKK</b>	<b>2018/19 DKK</b>
Derivative financial instruments	602,414	643,860
	<b>602,414</b>	<b>643,860</b>

Other payables consist of the negative fair value of an interest rate swap of DKK 602k. The interest rate swap was made to hedge the Company's floating-rate bond loan against currency fluctuations. The interest rate swap has a principal amount of DKK 7,918k and secures a fixed rate of 0.873% in the remaining term to maturity of 9 months. The bond loan agreement and the interest rate swap have been concluded with the same counterparty.

## 17 Non-current liabilities other than provisions

	Due within 12 months 2019/20 DKK	Due within 12 months 2018/19 DKK	Due after more than 12 months 2019/20 DKK	Outstanding after 5 years 2019/20 DKK
Mortgage debt	451,955	455,810	7,473,007	5,734,424
Other payables	0	37,043	602,414	0
	<b>451,955</b>	<b>492,853</b>	<b>8,075,421</b>	<b>5,734,424</b>

## 18 Other payables

	2019/20 DKK	2018/19 DKK
VAT and duties	442,458	0
Wages and salaries, personal income taxes, social security costs, etc payable	6,495,698	1,415,840
Holiday pay obligation	4,723,021	5,290,626
Derivative financial instruments	0	559,380
Other costs payable	5,866,829	710,184
	<b>17,528,006</b>	<b>7,976,030</b>

## 19 Deferred income

Deferred income consist of prepayments from customers.

## 20 Changes in working capital

	2019/20 DKK	2018/19 DKK
Increase/decrease in inventories	7,233,562	9,071,670
Increase/decrease in receivables	35,089,573	(5,779,524)
Increase/decrease in trade payables etc	(2,193,756)	288,106
	<b>40,129,379</b>	<b>3,580,252</b>

## 21 Other adjustments

The amount placed on the group cash pool is considered as available at any time and consequently as a part of the liquidity of Flonidan. Therefore the cash pool arrangement between the Entity and AVK Holding A/S is presented as cash equivalents instead of working capital in the cash flow statement. In the balance sheet the cash pool arrangement is presented as receivables from group enterprises.

## 22 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Anpartsselskabet ASX af 28. August 2014 serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

**23 Assets charged and collateral**

Land and buildings of a carrying amount of 13.742k at the balance sheet date have been put up as security for debt to mortgage credit institutions.

The Company has provided a bank/performance guarantee to customers of 10,398k.

**24 Related parties with controlling interest**

AVK Holding A/S, Galten wholly owns the shares of the Entity and thus has control over the Entity.

**25 Non-arm's length related party transactions**

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

## **26 Group relations**

Name and registered office of the Parent preparing consolidated financial statements for the largest group:  
ANPARTSSELSKABET ASX AF 28. AUGUST 2014, Silkeborg

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:  
AVK Holding A/S, Galten

# Accounting policies

## Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these financial statements are consistent with those applied last year.

## Non-comparability

Presentation of the cash pool arrangement between the parent company and Flonidan has changed. The net value of the cash pool arrangement is presented as intercompany and likewise in the cashflow statement.

## Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

## Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

## Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the

accumulated changes are recognised as part of cost of the relevant financial statement items.



## Income statement

### Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

### Own work capitalised

Own work capitalised comprises staff costs, which can be attributed to the company's development projects, incurred in the financial year and recognised in cost for proprietary intangible assets and property, plant and equipment.

### Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

### Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

### Staff costs

Staff costs comprise salaries and wages, and social security contributions, pension contributions, etc for entity staff.

### Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

### Income from investments in joint ventures

Income from investments in joint ventures comprises dividend etc received from the individual joint ventures in the financial year.

### Other financial income

Other financial income comprises interest income, including net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

### Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

### Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

## Balance sheet

### Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 5-20 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

### Property, plant and equipment

Land and buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-constructed assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	25 years
Plant and machinery	3-5 years
Other fixtures and fittings, tools and equipment	3-5 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

### Investments in joint ventures

Investments in joint ventures are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the joint ventures' equity value.

Joint ventures with negative equity value are measured at DKK 0. Any receivables from these joint ventures are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant joint venture, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in joint ventures is transferred to reserve for net revaluation according to the equity method in equity.

Investments in joint ventures are written down to the lower of recoverable amount and carrying amount.

### **Inventories**

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

### **Receivables**

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

### **Prepayments**

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

### **Cash**

Cash comprises cash in hand and bank deposits.

### **Dividend**

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

### **Deferred tax**

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-base is calculated based on the planned use of each asset or the planned settlement of each liability.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

**Other provisions**

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

**Mortgage debt**

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

**Other financial liabilities**

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

**Joint taxation contributions payable or receivable**

Current joint taxation contributions receivable or joint taxation contributions payable are recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

**Deferred income**

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

**Cash flow statement**

The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.