

FLONIDAN A/S

Islandsvej 29
8700 Horsens
CVR No. 89919916

Annual report 01.10.2022 - 30.09.2023

The Annual General Meeting adopted the annual
report on 29.02.2024

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 2022/23	10
Balance sheet at 30.09.2023	11
Statement of changes in equity for 2022/23	13
Notes	14
Accounting policies	19

Entity details

Entity

FLONIDAN A/S

Islandsvej 29

8700 Horsens

Business Registration No.: 89919916

Registered office: Horsens

Financial year: 01.10.2022 - 30.09.2023

Board of Directors

Hans Ottosen

Sven Ruder

Lars Kudsk

Executive Board

Sten Andersen

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 01.10.2022 - 30.09.2023.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.09.2023 and of the results of its operations for the financial year 01.10.2022 - 30.09.2023.

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, 19.02.2024

Executive Board

Sten Andersen

Board of Directors

Hans Ottosen

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 01.10.2022 - 30.09.2023, which comprise the income statement, balance sheet, statement of changes in equity 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 30.09.2023 and of the results of its operations for the financial year 01.10.2022 - 30.09.2023 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 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.

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, 19.02.2024

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No. 33963556

Henrik Vedel

State Authorised Public Accountant

Identification No (MNE) mne10052

Lena Lykkegård

State Authorised Public Accountant

Identification No (MNE) mne47836

Management commentary

Financial highlights

	2022/23	2021/22	2020/21	2019/20	2018/19
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Gross profit/loss	4,900	27,863	69,952	99,723	64,226
Operating profit/loss	(34,599)	(16,382)	21,960	44,051	8,338
Net financials	(3,109)	(1,650)	(730)	406	(947)
Profit/loss for the year	(29,860)	(14,849)	15,870	34,677	6,241
Total assets	155,389	155,132	162,851	175,504	182,996
Investments in property, plant and equipment	5,485	7,646	11,286	14,506	15,957
Equity	43,203	43,043	81,583	100,586	70,411
Average number of employees	44	51	56	61	62
Ratios					
Return on equity (%)	(69.24)	(23.83)	17.4	40.50	8.00
Equity ratio (%)	27.80	27.75	50.10	57.31	38.48

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

Return on equity (%):

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

Equity ratio (%):

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

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 company's head office is in Horsens (Denmark) and houses R&D, purchasing, sales and administration. Production is outsourced.

Development in activities and finances

From the beginning of the year the global supply chain disruption following the Covid-19 pandemic continued to have a negative impact.

We have seen a significant inventory build-up with our customers in combination with reduced installation rates in several markets, causing a reduction in sales during 2022/23 and entering 2023/24.

Flonidan has and continues to invest significantly in cost optimization and product development to strengthen profitability and utilize the growth potential in- and outside Europe. This will in the short-term have a negative impact on the profitability of the company.

The new SciFlo ultrasonic gas meter represented a growing share of total sales during the year and was influenced by the global component shortage and logistic challenges causing higher production costs and delays in production ramp-up and cost efficiency initiatives.

Particular risks

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

Medium and long term we see a limited growth potential in Europe and a larger 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 maintain competitiveness in both existing and new markets.

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

Profit/loss for the year in relation to expected developments

The impact of customer inventory build-up, reduced installation rates and the significant activities related to cost optimization and continued product development, has together with increased direct and production related costs during the year resulted in a loss of DKK -29,9 mill compared to a loss of DKK -14,8 mill in 2021/22. The result in 2022/23 is below expectations and considered not satisfactory.

Outlook

Based on our increased focus on new markets outside Europe we see positive developments in several markets with a significant sales potential medium and long term. European markets are expected to show continued demand within the coming years. Short term we expect revenue to decrease in the coming year with a continued pressure on profitability due to the expected development in product and market mix.

FLONIDAN plans to continue to invest in product development and market adaptations in the coming years related to both the European market and new markets outside Europe.

Statutory report on corporate social responsibility

Reference is made to the consolidated and parent-company financial statements of AVK Holding A/S, Danish Central Business Registration no. 44782510, which include a report on the AVK Group's social responsibility.

Statutory report on the underrepresented gender

Reference is made to the consolidated and parent-company financial statements of AVK Holding A/S, Danish 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 had a target to increase the proportion of the underrepresented gender on the Board of Directors to 20% by 2023. 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.

Statutory report on data ethics policy

Reference is made to the consolidated and parent-company financial statements of AVK Holding A/S, Danish Central Business Registration no. 44782510, which include a report on the AVK Group's data ethics policy.

Events after the balance sheet date

To date, no events have occurred after the balance sheet date that would influence the evaluation of this annual report.

Income statement for 2022/23

	Notes	2022/23 DKK	2021/22 DKK
Gross profit/loss	2	4,900,088	27,863,304
Staff costs	3	(30,588,760)	(33,438,869)
Depreciation, amortisation and impairment losses	4	(8,927,783)	(10,806,263)
Other operating expenses		17,000	(1)
Operating profit/loss		(34,599,455)	(16,381,829)
Income from investments in joint ventures		(798,398)	(412,717)
Other financial income	5	261,494	183,279
Other financial expenses	6	(3,370,357)	(1,833,503)
Profit/loss before tax		(38,506,716)	(18,444,770)
Tax on profit/loss for the year	7	8,646,766	3,595,917
Profit/loss for the year	8	(29,859,950)	(14,848,853)

Balance sheet at 30.09.2023

Assets

	Notes	2022/23 DKK	2021/22 DKK
Completed development projects	10	117,539	1,254,706
Intangible assets	9	117,539	1,254,706
Land and buildings		13,001,341	14,191,297
Plant and machinery		13,935,355	16,968,335
Other fixtures and fittings, tools and equipment		94,049	165,652
Property, plant and equipment in progress		3,147,101	1,157,795
Property, plant and equipment	11	30,177,846	32,483,079
Investments in joint ventures		188,139	986,537
Deferred tax	13	1,541,000	1,692,000
Financial assets	12	1,729,139	2,678,537
Fixed assets		32,024,524	36,416,322
Manufactured goods and goods for resale		29,346,825	29,644,626
Prepayments for goods		960,294	2,522,713
Inventories		30,307,119	32,167,339
Trade receivables		60,029,104	69,857,410
Receivables from group enterprises		105,854	26,250
Receivables from associates		5,682,126	7,599,493
Other receivables		16,302,297	3,142,382
Joint taxation contribution receivable		8,440,493	2,154,690
Prepayments	14	2,037,671	2,270,457
Receivables		92,597,545	85,050,682
Cash		459,467	1,498,108
Current assets		123,364,131	118,716,129
Assets		155,388,655	155,132,451

Equity and liabilities

	Notes	2022/23 DKK	2021/22 DKK
Contributed capital		4,001,000	4,000,000
Reserve for fair value adjustments of hedging instruments		1,457,031	1,436,565
Reserve for net revaluation according to the equity method		188,138	986,536
Reserve for development expenditure		91,680	978,670
Retained earnings		37,465,570	35,641,132
Equity		43,203,419	43,042,903
Other provisions	15	1,248,131	5,334,343
Provisions		1,248,131	5,334,343
Mortgage debt		6,336,178	6,608,596
Other payables	16	3,487,388	3,371,325
Non-current liabilities other than provisions	17	9,823,566	9,979,921
Current portion of non-current liabilities other than provisions	17	334,117	424,923
Trade payables		51,078,360	61,104,312
Payables to group enterprises		35,215,820	32,710,202
Other payables	18	14,485,242	2,535,847
Current liabilities other than provisions		101,113,539	96,775,284
Liabilities other than provisions		110,937,105	106,755,205
Equity and liabilities		155,388,655	155,132,451
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	19		
Contingent liabilities	20		
Assets charged and collateral	21		
Related parties with controlling interest	22		
Non-arm's length related party transactions	23		
Group relations	24		

Statement of changes in equity for 2022/23

	Contributed capital DKK	Reserve for fair value adjustments of hedging instruments DKK	Reserve for net revaluation according to the equity method DKK	Reserve for development expenditure DKK	Retained earnings DKK
Equity beginning of year	4,000,000	1,436,565	986,536	978,670	35,641,132
Increase of capital	1,000	0	0	0	29,999,000
Value adjustments	0	26,238	0	0	0
Tax of entries on equity	0	(5,772)	0	0	0
Transfer to reserves	0	0	0	(886,990)	886,990
Profit/loss for the year	0	0	(798,398)	0	(29,061,552)
Equity end of year	4,001,000	1,457,031	188,138	91,680	37,465,570

	Total DKK
Equity beginning of year	43,042,903
Increase of capital	30,000,000
Value adjustments	26,238
Tax of entries on equity	(5,772)
Transfer to reserves	0
Profit/loss for the year	(29,859,950)
Equity end of year	43,203,419

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 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.

3 Staff costs

	2022/23	2021/22
	DKK	DKK
Wages and salaries	26,868,378	29,492,665
Pension costs	2,170,923	2,337,514
Other social security costs	150,644	172,951
Other staff costs	1,398,815	1,435,739
	30,588,760	33,438,869
Average number of full-time employees	44	51

	Remuneration of Management 2022/23 DKK	Remuneration of Management 2021/22 DKK
Total amount for management categories	2,401,300	2,120,000
	2,401,300	2,120,000

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

4 Depreciation, amortisation and impairment losses

	2022/23	2021/22
	DKK	DKK
Amortisation of intangible assets	1,137,167	2,341,722
Depreciation of property, plant and equipment	7,790,616	8,464,541
	8,927,783	10,806,263

5 Other financial income

	2022/23	2021/22
	DKK	DKK
Other interest income	239,594	183,279
Other financial income	21,900	0
	261,494	183,279

6 Other financial expenses

	2022/23	2021/22
	DKK	DKK
Financial expenses from group enterprises	2,127,191	348,627
Other interest expenses	238,390	160,510
Exchange rate adjustments	1,004,776	1,324,366
	3,370,357	1,833,503

7 Tax on profit/loss for the year

	2022/23	2021/22
	DKK	DKK
Change in deferred tax	151,000	(1,072,000)
Adjustment concerning previous years	(351,501)	0
Refund in joint taxation arrangement	(8,446,265)	(2,523,917)
	(8,646,766)	(3,595,917)

8 Proposed distribution of profit and loss

	2022/23	2021/22
	DKK	DKK
Retained earnings	(29,859,950)	(14,848,853)
	(29,859,950)	(14,848,853)

9 Intangible assets

	Completed development projects DKK
Cost beginning of year	24,574,814
Cost end of year	24,574,814
Amortisation and impairment losses beginning of year	(23,320,108)
Amortisation for the year	(1,137,167)
Amortisation and impairment losses end of year	(24,457,275)
Carrying amount end of year	117,539

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 proceed according to the Company's project plan and expectations. The recognised value of development projects 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

	Land and buildings DKK	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Property, plant and equipment in progress DKK
Cost beginning of year	27,615,265	51,870,552	2,413,845	1,157,795
Transfers	0	402,958	0	(402,958)
Additions	0	3,093,119	0	2,392,264
Disposals	0	0	(423,000)	0
Cost end of year	27,615,265	55,366,629	1,990,845	3,147,101
Depreciation and impairment losses beginning of year	(13,423,968)	(34,902,217)	(2,248,193)	0
Depreciation for the year	(1,189,956)	(6,529,057)	(71,603)	0
Reversal regarding disposals	0	0	423,000	0
Depreciation and impairment losses end of year	(14,613,924)	(41,431,274)	(1,896,796)	0
Carrying amount end of year	13,001,341	13,935,355	94,049	3,147,101

12 Financial assets

	Investments in joint ventures DKK	Deferred tax DKK
Cost beginning of year	0	1,692,000
Disposals	0	(151,000)
Cost end of year	0	1,541,000
Revaluations beginning of year	986,537	0
Share of profit/loss for the year	(798,398)	0
Revaluations end of year	188,139	0
Carrying amount end of year	188,139	1,541,000

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

13 Deferred tax

	2022/23	2021/22
	DKK	DKK
Intangible assets	(25,859)	(276,035)
Property, plant and equipment	923,535	598,258
Provisions	539,600	1,185,693
Liabilities other than provisions	103,724	184,084
Deferred tax	1,541,000	1,692,000

	2022/23	2021/22
	DKK	DKK
Changes during the year		
Beginning of year	1,692,000	620,000
Recognised in the income statement	(151,000)	1,072,000
End of year	1,541,000	1,692,000

Deferred tax assets

Deferred tax assets are recognised in the balance sheet at the estimated value, that is expected to be used within a period of 5 years.

14 Prepayments

Prepayments consist of prepaid expenses.

15 Other provisions

Other provisions consist of expected costs relating to warranty claims.

16 Other payables

	2022/23	2021/22
	DKK	DKK
Holiday pay obligation	3,487,388	3,371,325
	3,487,388	3,371,325

17 Non-current liabilities other than provisions

	Due within 12 months 2022/23 DKK	Due within 12 months 2021/22 DKK	Due after more than 12 months 2022/23 DKK	Outstanding after 5 years 2022/23 DKK
Mortgage debt	334,117	424,923	6,336,178	4,861,822
Other payables	0	0	3,487,388	0
	334,117	424,923	9,823,566	4,861,822

18 Other payables

	2022/23	2021/22
	DKK	DKK
VAT and duties	5,860,606	0
Wages and salaries, personal income taxes, social security costs, etc payable	1,694,238	86,410
Holiday pay obligation	1,677,738	1,883,935
Other costs payable	5,252,660	565,502
	14,485,242	2,535,847

19 Unrecognised rental and lease commitments

	2022/23	2021/22
	DKK	DKK
Liabilities under rental or lease agreements until maturity in total	1,110,913	938,107

20 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.

21 Assets charged and collateral

Land and buildings of a carrying amount of DKK 13.001k 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 DKK 2.253k.

22 Related parties with controlling interest

Niels Aage Kjær has controlling interest in Flonidan A/S through his ownership in Anpartsselskabet ASX af 28. August 2014.

23 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.

24 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).

Changes in accounting policies

Last year the annual report was presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large). Due to decrease in the balance in 2021/22 and 2022/23 the annual report for 2022/23 is prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

Apart from the areas mentioned above, the annual report has been presented applying the accounting policies consistent with last year.

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

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, cost of raw materials and consumables and external expenses.

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.

Cost of sales

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

Other operating expenses

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

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, sub-suppliers 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:

	Useful life
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.

Deferred tax

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

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.

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.

Joint taxation contributions receivable or payable

Current joint taxation contributions payable or joint taxation contributions receivable are recognised in the balance sheet, calculated as tax computed on the taxable income for 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.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

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.

Cash flow statement

Referring to section 86(4) of the Danish Financial Statements Act, the Entity has prepared no cash flow statement as such statement is included in the consolidated cash flow statement of AVK Holding A/S, Business Reg. No. 44782510.