

Flonidan A/S

Islandsvej 29
8700 Horsens
CVR No. 89919916

Annual report 01.10.2021 - 30.09.2022

The Annual General Meeting adopted the
annual report on 16.01.2023

Lars Kudsk

Chairman of the General Meeting

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Entity details

Entity

Flonidan A/S

Islandsvej 29

8700 Horsens

Business Registration No.: 89919916

Registered office: Horsens

Financial year: 01.10.2021 - 30.09.2022

Board of Directors

Hans Ottosen

Sven Ruder

Lars Kudsk

Executive Board

Karsten Omann

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 01.10.2021 - 30.09.2022.

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 30.09.2022 and of the results of its operations for the financial year 01.10.2021 - 30.09.2022.

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, 19.12.2022

Executive Board

Karsten Omann

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 01.10.2021 - 30.09.2022, 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 30.09.2022 and of the results of its operations for the financial year 01.10.2021 - 30.09.2022 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, 19.12.2022

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

	2021/22	2020/21	2019/20	2018/19	2017/18
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Revenue	341,227	323,943	499,298	458,792	394,488
Gross profit/loss	27,863	69,952	99,723	64,226	75,396
Operating profit/loss	(16,382)	21,960	44,051	8,338	30,475
Net financials	(1,650)	(730)	406	(947)	(535)
Profit/loss for the year	(14,849)	15,870	34,677	6,241	24,484
Total assets	155,132	162,851	175,504	182,996	180,393
Investments in property, plant and equipment	7,646	11,286	14,506	15,957	9,932
Equity	43,043	81,583	100,586	70,411	85,138
Average number of employees	51	56	61	62	57
Ratios					
Return on equity (%)	(23.83)	17.4	40.50	8.00	49.10
Equity ratio (%)	27.75	50.10	57.31	38.48	47.20

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

Return on equity (%):

Profit/loss for the year * 100

Average equity

Equity ratio (%):

Equity * 100

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

A general Covid-19 recovery was seen in our markets throughout 2021/22.

From the beginning of the year the global supply chain disruption following the Covid-19 pandemic had a severe negative impact. Difficulties in sourcing of components, especially microprocessors, and increased costs to secure production flow and customer supplies influenced sales and results negatively throughout the financial year.

The introduction of the new SciFlo ultrasonic gas meter was influenced by global component shortage and logistic challenges causing delays in both production ramp-up and planned cost efficiency initiatives. Ongoing process- and product optimization during the year resulted in improvements in the second half-year.

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.

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.

Long term we see a small 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 new and existing markets.

Profit/loss for the year in relation to expected developments

The market situation developed positively compared to the previous year, where Covid-19 had a significant negative impact on all major European meter rollouts. Net revenue of DKK 341,2 million was achieved, which is 5 percent higher than the previous year.

Primarily due to the global supply chain disruption FLONIDAN showed a loss before tax of DKK -18,4 mill compared to a profit of DKK 20,5 mill in 2020/21. Despite the foreseen lower result in 2021/22 compared to 2020/21 the result is below expectations and considered not satisfactory.

Outlook

The global supply chain disruption is expected to continue into 2022/23 with impact on the availability of specific components throughout the year. With ongoing development and redesign we expect the impact to ease gradually by the end of 2022/23. Revenue is expected to increase in the coming year, but changes in product and market mix will continue to put pressure on profitability.

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

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 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.

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 2021/22

	Notes	2021/22 DKK	2020/21 DKK
Revenue	2	341,226,981	323,942,525
Other operating income		0	2,103,146
Cost of sales		(291,685,271)	(237,182,568)
Other external expenses	3	(21,678,406)	(18,910,615)
Gross profit/loss		27,863,304	69,952,488
Staff costs	4	(33,438,869)	(38,324,488)
Depreciation, amortisation and impairment losses	5	(10,806,263)	(9,667,527)
Other operating expenses		(1)	0
Operating profit/loss		(16,381,829)	21,960,473
Income from investments in joint ventures		(412,717)	(730,329)
Other financial income	6	183,279	162,917
Other financial expenses	7	(1,833,503)	(893,325)
Profit/loss before tax		(18,444,770)	20,499,736
Tax on profit/loss for the year	8	3,595,917	(4,630,064)
Profit/loss for the year	9	(14,848,853)	15,869,672

Balance sheet at 30.09.2022

Assets

	Notes	2021/22 DKK	2020/21 DKK
Completed development projects	11	1,254,706	3,596,428
Intangible assets	10	1,254,706	3,596,428
Land and buildings		14,191,297	15,450,353
Plant and machinery		16,968,335	16,982,878
Other fixtures and fittings, tools and equipment		165,652	340,872
Property, plant and equipment in progress		1,157,795	527,595
Property, plant and equipment	12	32,483,079	33,301,698
Investments in joint ventures		986,537	1,399,254
Deferred tax	14	1,692,000	620,000
Financial assets	13	2,678,537	2,019,254
Fixed assets		36,416,322	38,917,380
Manufactured goods and goods for resale		29,644,626	25,993,176
Prepayments for goods		2,522,713	2,327,945
Inventories		32,167,339	28,321,121
Trade receivables		69,857,410	61,163,597
Receivables from group enterprises		26,250	32,803,342
Receivables from associates		7,599,493	0
Other receivables		3,142,382	5,065
Joint taxation contribution receivable		2,154,690	0
Prepayments	15	2,270,457	873,526
Receivables		85,050,682	94,845,530
Cash		1,498,108	766,846
Current assets		118,716,129	123,933,497
Assets		155,132,451	162,850,877

Equity and liabilities

	Notes	2021/22 DKK	2020/21 DKK
Contributed capital		4,000,000	4,000,000
Reserve for fair value adjustments of hedging instruments		1,436,565	127,503
Reserve for net revaluation according to the equity method		986,536	1,399,253
Reserve for development expenditure		978,670	2,805,213
Retained earnings		35,641,132	48,250,725
Proposed dividend		0	25,000,000
Equity		43,042,903	81,582,694
Other provisions	16	5,334,343	2,872,509
Provisions		5,334,343	2,872,509
Mortgage debt		6,608,596	7,028,828
Other payables	17	3,371,325	242,870
Non-current liabilities other than provisions	18	9,979,921	7,271,698
Current portion of non-current liabilities other than provisions	18	424,923	447,952
Trade payables		61,104,312	48,721,393
Payables to group enterprises		32,710,202	1,254,039
Payables to associates		0	1,546,660
Joint taxation contribution payable		0	5,757,496
Other payables	19	2,535,847	13,396,436
Current liabilities other than provisions		96,775,284	71,123,976
Liabilities other than provisions		106,755,205	78,395,674
Equity and liabilities		155,132,451	162,850,877
Events after the balance sheet date	1		
Contingent liabilities	20		
Assets charged and collateral	21		
Related parties with controlling interest	22		
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Group relations	24		

Statement of changes in equity for 2021/22

	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	127,503	1,399,253	2,805,213	48,250,725
Ordinary dividend paid	0	0	0	0	0
Value adjustments	0	1,678,289	0	0	0
Tax of entries on equity	0	(369,227)	0	0	0
Transfer to reserves	0	0	0	(1,826,543)	1,826,543
Profit/loss for the year	0	0	(412,717)	0	(14,436,136)
Equity end of year	4,000,000	1,436,565	986,536	978,670	35,641,132

	Proposed dividend DKK	Total DKK
Equity beginning of year	25,000,000	81,582,694
Ordinary dividend paid	(25,000,000)	(25,000,000)
Value adjustments	0	1,678,289
Tax of entries on equity	0	(369,227)
Transfer to reserves	0	0
Profit/loss for the year	0	(14,848,853)
Equity end of year	0	43,042,903

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

	2021/22 DKK	2020/21 DKK
Denmark	1,447,752	4,643,190
Other European countries	339,779,229	319,299,335
Total revenue by geographical market	341,226,981	323,942,525
G4 meters	309,217,002	269,586,058
G6 meters	15,974,552	33,287,727
G10 meters	762,969	1,758,618
G16 meters	2,347,281	1,910,223
G25 meters	1,367,089	35,366
OEM produkter	11,558,088	17,364,533
Total revenue by activity	341,226,981	323,942,525

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

	2021/22 DKK	2020/21 DKK
Wages and salaries	29,492,665	34,455,944
Pension costs	2,337,514	2,748,641
Other social security costs	172,951	191,542
Other staff costs	1,435,739	928,361
	33,438,869	38,324,488

Average number of full-time employees	51	56
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	Remuneration of Management 2021/22 DKK	Remuneration of Management 2020/21 DKK
Total amount for management categories	2,120,000	4,678,665
	2,120,000	4,678,665

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

	2021/22 DKK	2020/21 DKK
Amortisation of intangible assets	2,341,722	2,643,914
Depreciation of property, plant and equipment	8,464,541	7,023,613
	10,806,263	9,667,527

6 Other financial income

	2021/22 DKK	2020/21 DKK
Financial income from group enterprises	0	49,248
Other interest income	183,279	113,669
	183,279	162,917

7 Other financial expenses

	2021/22 DKK	2020/21 DKK
Financial expenses from group enterprises	348,627	0
Other interest expenses	160,510	134,348
Exchange rate adjustments	1,324,366	758,977
	1,833,503	893,325

8 Tax on profit/loss for the year

	2021/22 DKK	2020/21 DKK
Current tax	0	5,761,259
Change in deferred tax	(1,072,000)	(1,091,000)
Adjustment concerning previous years	0	(40,195)
Refund in joint taxation arrangement	(2,523,917)	0
	(3,595,917)	4,630,064

9 Proposed distribution of profit and loss

	2021/22 DKK	2020/21 DKK
Ordinary dividend for the financial year	0	25,000,000
Retained earnings	(14,848,853)	(9,130,328)
	(14,848,853)	15,869,672

10 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	(20,978,386)
Amortisation for the year	(2,341,722)
Amortisation and impairment losses end of year	(23,320,108)
Carrying amount end of year	1,254,706

11 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.

12 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	27,608,066	45,811,452	2,413,845	527,595
Additions	7,199	7,008,523	0	630,200
Disposals	0	(949,423)	0	0
Cost end of year	27,615,265	51,870,552	2,413,845	1,157,795
Depreciation and impairment losses beginning of year	(12,157,713)	(28,828,574)	(2,072,973)	0
Depreciation for the year	(1,266,255)	(7,023,066)	(175,220)	0
Reversal regarding disposals	0	949,423	0	0
Depreciation and impairment losses end of year	(13,423,968)	(34,902,217)	(2,248,193)	0
Carrying amount end of year	14,191,297	16,968,335	165,652	1,157,795

13 Financial assets

	Investments in joint ventures DKK	Deferred tax DKK
Cost beginning of year	0	620,000
Additions	0	1,072,000
Cost end of year	0	1,692,000
Revaluations beginning of year	1,399,254	0
Share of profit/loss for the year	(412,717)	0
Revaluations end of year	986,537	0
Carrying amount end of year	986,537	1,692,000

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

14 Deferred tax

	2021/22 DKK	2020/21 DKK
Intangible assets	(276,035)	(791,214)
Property, plant and equipment	598,258	280,752
Provisions	1,185,693	631,952
Liabilities other than provisions	184,084	498,510
Deferred tax	1,692,000	620,000

Changes during the year	2021/22 DKK	2020/21 DKK
Beginning of year	620,000	(511,195)
Recognised in the income statement	1,072,000	1,091,000
Regulations related to previous years	0	40,195
End of year	1,692,000	620,000

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.

15 Prepayments

Prepayments consist of prepaid expenses.

16 Other provisions

Other provisions consist of expected costs relating to warranty claims.

17 Other payables

	2021/22	2020/21
	DKK	DKK
Holiday pay obligation	3,371,325	0
Derivative financial instruments	0	242,870
	3,371,325	242,870

18 Non-current liabilities other than provisions

	Due within 12 months	Due within 12 months	Due after more than 12 months	Outstanding after 5 years
	2021/22	2020/21	2021/22	2021/22
	DKK	DKK	DKK	DKK
Mortgage debt	424,923	447,952	6,608,596	4,889,664
Other payables	0	0	3,371,325	0
	424,923	447,952	9,979,921	4,889,664

19 Other payables

	2021/22	2020/21
	DKK	DKK
VAT and duties	0	848,151
Wages and salaries, personal income taxes, social security costs, etc payable	86,410	2,728,907
Holiday pay obligation	1,883,935	5,375,134
Derivative financial instruments	0	196,076
Other costs payable	565,502	4,248,168
	2,535,847	13,396,436

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 14.191 k 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 2.205k.

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 presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

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

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.

Other operating income

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

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.

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, 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:

	Useful life Years
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.

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.

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.