FLONIDAN A/S

Islandsvej 29
8700 Horsens
CVR No. 89919916

Annual report 01.10.2023 - 30.09.2024

The Annual General Meeting adopted the annual report on 28.01.2025

Kim Harding Wellendorph Lehmann
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: 01.10.2023 - 30.09.2024

Board of Directors

Kim Harding Wellendorph Lehmann
Hans Ottosen
Sven Ruder
Henrik Peter Lund-Olesen
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 01.10.2023 - 30.09.2024.

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 30.09.2024 and of the results of its operations for the financial year 01.10.2023 - 30.09.2024.

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, 28.01.2025

Executive Board

Sten Andersen

Board of Directors

Kim Harding Wellendorph Lehmann

Hans Ottosen

Sven Ruder

Henrik Peter Lund-Olesen

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 01.10.2023 - 30.09.2024, 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 30.09.2024 and of the results of its operations for the financial year 01.10.2023 - 30.09.2024 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.

- Plan and perform the audit of the financial statements to obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business units as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed. We remain solely responsible for our audit opinion.

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

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 by relevant law and regulations.

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 in the relevant law and regulations. We did not identify any material misstatement of the management commentary.

Aarhus, 28.01.2025

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Henrik Vedel
State Authorised Public Accountant
Identification No (MNE) mne10052

Jesper Brandt Pedersen
State Authorised Public Accountant
Identification No (MNE) mne51045

Management commentary

Financial highlights

	2023/24 DKK'000	2022/23 DKK'000	2021/22 DKK'000	2020/21 DKK'000	2019/20 DKK'000
Key figures					
Gross profit/loss	(1,786)	3,912	26,765	69,128	98,895
Operating profit/loss	(34,129)	(34,599)	(16,382)	21,960	44,051
Net financials	(3,501)	(3,109)	(1,650)	(730)	406
Profit/loss for the year	(29,937)	(29,860)	(14,849)	15,870	34.677
Total assets	134,208	155,389	155,132	162,851	174,993
Investments in property, plant and equipment	3,047	5,485	7,646	11,286	14,506
Equity	42,557	43,203	43,043	81,583	100,586
Average number of employees	34	44	51	56	61
Ratios					
Return on equity (%)	(70.35)	(69.24)	(23.83)	17.4	40.50
Equity ratio (%)	31.71	27.80	27.75	50.10	57.48

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

Return on equity (%):
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

The global supply chain disruption following the Covid-19 pandemic continued to have a negative impact in 2023/2024. The inventory build-up with our customers in combination with reduced installation rates in several markets continued to cause a reduction in sales during 2023/24 and will continue into 2024/2025.

Flonidan continues to invest significantly in cost optimization and product development to strengthen profitability and utilize the growth potential in- and outside Europe. During 2023/2024, substantial resources was used on moving the production of SciFlo Ultrasonic meters and indexes for the UniFlo diaphragm meters to Thailand in order to ensure competitive cost prices going forward.

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 based on 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 significant activities related to moving the production and the impact of customer inventory build-up, reduced installation rates and continued high activities withing product development, resulted in a loss of DKK -29,1 mill compared to a loss of DKK -29,9 mill in 2022/23. The result in 2023/24 is below expectations and considered not satisfactory.

Outlook

As a result of the move of production to Thailand, the product cost has decreased which is expected to be reflected in the results for the coming years.
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 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.

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 2023/24

	Notes	2023/24 DKK	2022/23 DKK
Gross profit/loss		**(1,786,355)**	**3,911,987**
Staff costs	2	(25,050,984)	(29,600,659)
Depreciation, amortisation and impairment losses	3	(7,291,940)	(8,927,783)
Other operating expenses		0	17,000
Operating profit/loss		**(34,129,279)**	**(34,599,455)**
Income from investments in joint ventures		(586,234)	(798,398)
Other financial income	4	149,013	261,494
Other financial expenses	5	(3,650,125)	(3,370,357)
Profit/loss before tax		**(38,216,625)**	**(38,506,716)**
Tax on profit/loss for the year	6	8,279,978	8,646,766
Profit/loss for the year	7	**(29,936,647)**	**(29,859,950)**

Balance sheet at 30.09.2024

Assets

	Notes	2023/24 DKK	2022/23 DKK
Completed development projects	9	0	117,539
Intangible assets	8	**0**	**117,539**
Land and buildings		11,820,553	13,001,341
Plant and machinery		12,266,002	13,935,355
Other fixtures and fittings, tools and equipment		61,704	94,049
Property, plant and equipment in progress		1,902,181	3,147,101
Property, plant and equipment	10	**26,050,440**	**30,177,846**
Investments in joint ventures		0	188,139
Deferred tax	12	1,982,000	1,541,000
Financial assets	11	**1,982,000**	**1,729,139**
Fixed assets		**28,032,440**	**32,024,524**
Manufactured goods and goods for resale		67,829,784	31,330,117
Prepayments for goods		355,376	960,294
Inventories		**68,185,160**	**32,290,411**
Trade receivables		12,581,283	60,029,104
Receivables from group enterprises		26,250	105,854
Receivables from associates		12,837,641	5,682,126
Other receivables		2,755,408	16,302,297
Joint taxation contribution receivable		8,033,501	8,440,493
Prepayments	13	0	54,379
Receivables		**36,234,083**	**90,614,253**
Cash		**1,756,307**	**459,467**
Current assets		**106,175,550**	**123,364,131**
Assets		**134,207,990**	**155,388,655**

Equity and liabilities

	Notes	2023/24 DKK	2022/23 DKK
Contributed capital		4,002,000	4,001,000
Reserve for fair value adjustments of hedging instruments		746,877	1,457,031
Reserve for net revaluation according to the equity method		0	188,138
Reserve for development expenditure		0	91,680
Retained earnings		37,807,741	37,465,570
Equity		**42,556,618**	**43,203,419**
Other provisions	14	1,360,000	1,248,131
Provisions		**1,360,000**	**1,248,131**
Mortgage debt		5,986,077	6,336,178
Other payables	15	3,569,244	3,487,388
Non-current liabilities other than provisions	16	**9,555,321**	**9,823,566**
Current portion of non-current liabilities other than provisions	16	349,589	334,117
Trade payables		29,286,788	51,078,360
Payables to group enterprises		47,882,392	35,215,820
Derivative financial instruments	17	338,668	0
Other payables		2,878,614	14,485,242
Current liabilities other than provisions		**80,736,051**	**101,113,539**
Liabilities other than provisions		**90,291,372**	**110,937,105**
Equity and liabilities		**134,207,990**	**155,388,655**
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	18		
Contingent liabilities	19		
Assets charged and collateral	20		
Related parties with controlling interest	21		
Non-arm's length related party transactions	22		
Group relations	23		

Statement of changes in equity for 2023/24

	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	Total DKK
Equity beginning of year	4,001,000	1,457,031	188,138	91,680	37,465,570	43,203,419
Increase of capital	1,000	0	0	0	29,999,000	30,000,000
Value adjustments	0	(910,453)	0	0	0	(910,453)
Tax of entries on equity	0	200,299	0	0	0	200,299
Transfer to reserves	0	0	0	(91,680)	91,680	0
Profit/loss for the year	0	0	(188,138)	0	(29,748,509)	(29,936,647)
Equity end of year	**4,002,000**	**746,877**	**0**	**0**	**37,807,741**	**42,556,618**

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 Staff costs

	2023/24 DKK	2022/23 DKK
Wages and salaries	22,837,956	27,279,092
Pension costs	2,093,038	2,170,923
Other social security costs	119,990	150,644
	25,050,984	**29,600,659**

Average number of full-time employees	34	44

	Remuneration of Management 2023/24 DKK	Remuneration of Management 2022/23 DKK
Total amount for management categories	2,420,000	2,401,300
	2,420,000	**2,401,300**

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

3 Depreciation, amortisation and impairment losses

	2023/24 DKK	2022/23 DKK
Amortisation of intangible assets	117,539	1,137,167
Depreciation of property, plant and equipment	7,174,401	7,790,616
	7,291,940	**8,927,783**

4 Other financial income

	2023/24 DKK	2022/23 DKK
Other interest income	126,462	239,594
Other financial income	22,551	21,900
	149,013	**261,494**

5 Other financial expenses

	2023/24 DKK	2022/23 DKK
Financial expenses from group enterprises	3,074,736	2,127,191
Other interest expenses	216,973	238,390
Exchange rate adjustments	358,416	1,004,776
	3,650,125	**3,370,357**

6 Tax on profit/loss for the year

	2023/24 DKK	2022/23 DKK
Change in deferred tax	(441,000)	151,000
Adjustment concerning previous years	0	(351,501)
Refund in joint taxation arrangement	(7,838,978)	(8,446,265)
	(8,279,978)	**(8,646,766)**

7 Proposed distribution of profit and loss

	2023/24 DKK	2022/23 DKK
Retained earnings	(29,936,647)	(29,859,950)
	(29,936,647)	**(29,859,950)**

8 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	(24,457,275)
Amortisation for the year	(117,539)
Amortisation and impairment losses end of year	**(24,574,814)**
Carrying amount end of year	**0**

9 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.

10 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	55,366,629	1,990,845	3,147,101
Transfers	0	2,828,405	0	(2,828,405)
Additions	0	1,431,510	32,000	1,583,485
Cost end of year	**27,615,265**	**59,626,544**	**2,022,845**	**1,902,181**
Depreciation and impairment losses beginning of year	(14,613,924)	(41,431,274)	(1,896,796)	0
Depreciation for the year	(1,180,788)	(5,929,268)	(64,345)	0
Depreciation and impairment losses end of year	**(15,794,712)**	**(47,360,542)**	**(1,961,141)**	**0**
Carrying amount end of year	**11,820,553**	**12,266,002**	**61,704**	**1,902,181**

11 Financial assets

	Investments in joint ventures DKK	Deferred tax DKK
Cost beginning of year	0	1,541,000
Additions	0	441,000
Cost end of year	**0**	**1,982,000**
Revaluations beginning of year	188,139	0
Share of profit/loss for the year	(188,139)	0
Revaluations end of year	**0**	**0**
Share of profit/loss for the year	(398,095)	0
Investments with negative equity value depreciated over receivables	398,095	0
Impairment losses end of year	**0**	**0**
Carrying amount end of year	**0**	**1,982,000**

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

12 Deferred tax

	2023/24 DKK	2022/23 DKK
Intangible assets	0	(25,859)
Property, plant and equipment	1,224,935	923,535
Provisions	265,011	539,600
Liabilities other than provisions	492,054	103,724
Deferred tax	**1,982,000**	**1,541,000**

Changes during the year	2023/24 DKK	2022/23 DKK
Beginning of year	1,541,000	1,692,000
Recognised in the income statement	441,000	(151,000)
End of year	**1,982,000**	**1,541,000**

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.

13 Prepayments
Prepayments consist of prepaid expenses.

14 Other provisions
Other provisions consist of expected costs relating to warranty claims.

15 Other payables

	2023/24 DKK	2022/23 DKK
Holiday pay obligation	3,569,244	3,487,388
	3,569,244	**3,487,388**

16 Non-current liabilities other than provisions

	Due within 12 months 2023/24 DKK	Due within 12 months 2022/23 DKK	Due after more than 12 months 2023/24 DKK	Outstanding after 5 years 2023/24 DKK
Mortgage debt	349,589	334,117	5,986,077	4,447,288
Other payables	0	0	3,569,244	0
	349,589	**334,117**	**9,555,321**	**4,447,288**

17 Derivative financial instruments

Current liabilities include a negative fair value of derivative financial instruments amounting to DKK 338k (2022/23: DKK 0k). Other recieveables include a positive fair value of derivative financial instruments amounting to DKK 694k (2022/23: DKK 1,266k). These instruments are used to hedge interest rate risk on variable-rate loans with a fixed interest rate and to hegde the currency risk on goods sold within a shorter period. Fair value adjustments, after tax, are recognized directly in equity.

The agreements have a remaining maturity of between 1 year and 14 years.

These agreements have been entered into with the Group's existing banks.

18 Unrecognised rental and lease commitments

	2023/24 DKK	2022/23 DKK
Liabilities under rental or lease agreements until maturity in total	715,284	1,110,913

19 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Anpartsselskabet ASX af 28. August 2014 serves as the administration compa-ny. 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.

20 Assets charged and collateral

Land and buildings of a carrying amount of DKK 11.821k 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.

21 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.

22 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.

23 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.

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, including loss from the sale of intangible assets and 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:

	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.