

Bawat A/S

Agern Allé 24, 2970 Hørsholm
CVR no. 34 05 34 99

Annual report for 2018

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 02.04.19

Klaus Nyborg
Dirigent

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The company

Bawat A/S
Agern Allé 24
2970 Hørsholm

Registered office: Rudersdal
CVR no.: 34 05 34 99
Founded: 14. november 2011
Financial year: 01.01 - 31.12

Board Of Management

Kim Diederichsen

Board Of Directors

Klaus Nyborg
Marcus Peter Hummer
Jacob Bro Eriksen

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Subsidiarie

Bawat Singapore PTE. LTD., Singapore

Statement of the Board of Directors and Executive Board on the annual report

We have on this day presented the annual report for the financial year 01.01.18 - 31.12.18 for Bawat A/S.

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

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.18 and of the results of the company's activities for the financial year 01.01.18 - 31.12.18.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Hørsholm, April 2, 2019

Board Of Management

Kim Diederichsen

Board Of Directors

Klaus Nyborg
Chairman

Marcus Peter Hummer
Vice Chairman

Jacob Bro Eriksen

To the shareholders of Bawat A/S**Opinion**

We have audited the financial statements of Bawat A/S for the financial year 01.01.18 - 31.12.18, which comprise the income statement, balance sheet, statement of changes in equity and notes, inclusive of accounting policies. The financial statements are prepared in accordance with Danish Financial Statements Act

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31.12.18 and of the results of the company's operations for the financial year 01.01.18 - 31.12.18 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Statement regarding the management's review

Management is responsible for management's review.

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

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

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

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

Management's responsibility for the financial statements

The Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore the Management is responsible for the internal control as the Management determines is necessary to enable the preparation of 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless management either intends to liquidate the company 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 International Standards on Auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the 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 company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, 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.

Hobro, April 2, 2019

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Thomas Andersen

State Authorized Public Accountant
MNE-no. mne31407

Primary activities

The business scope of the Company comprises research, development and sales of systems for ships ballast water treatment - both onboard ships or in ports, terminal, yards or other relevant locations.

Development in activities and financial affairs

The income statement for the period 01.01.18 - 31.12.18 shows a loss of DKK -14,595,911 against DKK -11,186,739 for the period 01.01.17 - 31.12.17. The balance sheet shows equity of DKK 18,976,491.

The management considers the net profit for the year to be as expected.

By year end 2016 the Company received information of being selected for the SME Instrument Grant Phase 2 resulting in subsidy support under the EU Horizon 2020 program to be received over a 4-year period. First down payment was received in April 2017 and second down payment was received in May 2018.

Throughout the year the Company has finalized the majority part of the U.S. Coast Guard Type approval testing program. Land based tests have been successfully completed and the last sea based tests are planned for April 2019, where after the final application for Type Approval will be forwarded to U.S. Coast Guard and IMO.

The organization has been strengthened with additional engineering and support staff including the establishment of a sales and support office in Singapore. To handle the increase in sales the organization is planned to be further developed during 2019.

As expected the shareholders and stakeholders contributed additional equity and loan capital in 2018 and the Company is in positive discussions with shareholders and other investors to ensure an adequate additional capital contribution during 2019. Bawat management expects this to be in place during 2019.

Market overview

The IMO Ballast Water Management Convention requires new and existing ships in international trade to manage their ballast water and sediments to certain standards. The ballast water performance standard will over a period gradually be phased-in peaking over the next 4 to 6 years.

The Convention went into force on September 8, 2016, with scheduled entry into force on September 8, 2017, however, vessel owners were in 2017 granted another 2-year retrofit extension. Any further extension is not expected, why sales is expected to increase from mid-2019.

In 2018 the Company experienced further increased sales activities and interest from world-wide vessel owners and other stakeholders such as technical managers of vessels. It has throughout the period become clear that customers are increasingly screening and now selecting systems for implementation.

Furthermore in 2018 the Company signed 2 Letters of Intent for delivery of mobile solutions for ports with first expected implementation H2, 2019 and going forward.

Research and development activities

Throughout 2018 the main activities have been focused around the U.S. Coast Guard Type Approval testing program. The Company achieved financial support from Markedsmodningsfonden to finalize the development program and conduct operational environment tests of the containerized mobile solution.

2018 R&D expenditures accumulate to DKK 8 million - mainly covering the ongoing type approval process and finalizing the mobile solution.

Subsequent events

Additional order is signed early 2019 and a major ship owner has confirmed installation of +20 systems in the coming period.

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income statement

| Note | | 2018 DKK | 2017 DKK |
|------|--|--------------------|--------------------|
| | Gross loss | -6.174.171 | -4.706.660 |
| 1 | Staff costs | -6.593.894 | -5.234.683 |
| | Profit/loss before depreciation, amortisation, write-downs and impairment losses | -12.768.065 | -9.941.343 |
| | Depreciation, amortisation, impairment losses and write-downs of property, plant and equipment | -3.305.341 | -3.170.224 |
| | Profit/loss before net financials | -16.073.406 | -13.111.567 |
| 2 | Income from equity investments in group enterprises | 26.572 | 0 |
| | Financial income | 13.142 | 257 |
| 3 | Financial expenses | -2.469.420 | -1.134.238 |
| | Profit/loss before tax | -18.503.112 | -14.245.548 |
| 4 | Tax on profit or loss for the year | 3.556.961 | 591 |
| | Other taxes | 350.240 | 3.058.218 |
| | Total tax | 3.907.201 | 3.058.809 |
| | Profit/loss for the year | -14.595.911 | -11.186.739 |
| | Proposed appropriation account | | |
| | Retained earnings | -14.595.911 | -11.186.739 |
| | Total | -14.595.911 | -11.186.739 |

| ASSETS | | 31.12.18 | 31.12.17 |
|---------------|--|-------------------|-------------------|
| | | DKK | DKK |
| Note | | | |
| | Completed development projects | 22.662.521 | 26.417.769 |
| | Acquired rights | 959.275 | 0 |
| | Development projects in progress | 31.558.407 | 24.753.828 |
| 5 | Total intangible assets | 55.180.203 | 51.171.597 |
| | Leasehold improvements | 0 | 9.530 |
| | Other fixtures and fittings, tools and equipment | 147.401 | 177.107 |
| | Total property, plant and equipment | 147.401 | 186.637 |
| 6 | Equity investments in group enterprises | 32.736 | 0 |
| | Deposits | 149.196 | 143.606 |
| | Total investments | 181.932 | 143.606 |
| | Total non-current assets | 55.509.536 | 51.501.840 |
| | Receivables from group enterprises | 37.448 | 0 |
| | Deferred tax asset | 3.578.239 | 21.278 |
| | Income tax receivable | 350.240 | 3.058.218 |
| | Other receivables | 393.253 | 2.389.120 |
| | Prepayments | 93.443 | 44.677 |
| | Total receivables | 4.452.623 | 5.513.293 |
| | Cash | 12.509.391 | 16.535.786 |
| | Total current assets | 16.962.014 | 22.049.079 |
| | Total assets | 72.471.550 | 73.550.919 |

| EQUITY AND LIABILITIES | | 31.12.18 | 31.12.17 |
|-------------------------------|--|-------------------|-------------------|
| | | DKK | DKK |
| Note | | | |
| | Share capital | 5.588.951 | 4.258.243 |
| | Share premium | 13.669.292 | 0 |
| | Reserve for net revaluation according to the equity method | 26.572 | 0 |
| | Reserve for development costs | 26.960.923 | 21.163.432 |
| | Retained earnings | -27.269.247 | -6.849.273 |
| | Total equity | 18.976.491 | 18.572.402 |
| 7 | Payables to other credit institutions | 24.000.000 | 24.000.000 |
| 7 | Other payables | 5.842.423 | 6.104.458 |
| 7 | Deferred income | 19.404.158 | 12.391.050 |
| | Total long-term payables | 49.246.581 | 42.495.508 |
| 7 | Short-term portion of long-term payables | 1.804.197 | 1.492.600 |
| | Payables to other credit institutions | 102.881 | 89.283 |
| | Trade payables | 732.815 | 9.441.966 |
| | Other payables | 1.608.585 | 1.459.160 |
| | Total short-term payables | 4.248.478 | 12.483.009 |
| | Total payables | 53.495.059 | 54.978.517 |
| | Total equity and liabilities | 72.471.550 | 73.550.919 |
| 8 | Contingent liabilities | | |
| 9 | Charges and security | | |

Statement of changes in equity

| Figures in DKK | Share capital | Share premium | Reserve for net revaluation according to the equity method | Reserve for development costs | Retained earnings | Total equity |
|---|------------------|------------------|---|-------------------------------------|----------------------|--------------|
| Statement of changes in equity for 01.01.17 - 31.12.17 | | | | | | |
| Balance as at 01.01.17 | 4.258.243 | 0 | 0 | 3.903.746 | 21.597.152 | 29.759.141 |
| Other changes in equity | 0 | 0 | 0 | 22.127.803 | -22.127.803 | 0 |
| Tax on changes in equity | 0 | 0 | 0 | -4.868.117 | 4.868.117 | 0 |
| Net profit/loss for the year | 0 | 0 | 0 | 0 | -11.186.739 | -11.186.739 |
| Balance as at 31.12.17 | 4.258.243 | 0 | 0 | 21.163.432 | -6.849.273 | 18.572.402 |
| Statement of changes in equity for 01.01.18 - 31.12.18 | | | | | | |
| Balance pr. 01.01.18 | 4.258.243 | 0 | 0 | 21.163.432 | -6.849.273 | 18.572.402 |
| Capital increase | 1.330.708 | 13.669.292 | 0 | 0 | 0 | 15.000.000 |
| Other changes in equity | 0 | 0 | 26.572 | 7.432.680 | -7.459.252 | 0 |
| Tax on changes in equity | 0 | 0 | 0 | -1.635.189 | 1.635.189 | 0 |
| Net profit/loss for the year | 0 | 0 | 0 | 0 | -14.595.911 | -14.595.911 |
| Balance as at 31.12.18 | 5.588.951 | 13.669.292 | 26.572 | 26.960.923 | -27.269.247 | 18.976.491 |

| | 2018 DKK | 2017 DKK |
|---|------------------|------------------|
| 1. Staff costs | | |
| Wages and salaries | 5.960.013 | 4.749.967 |
| Pensions | 376.079 | 198.257 |
| Other social security costs | 80.664 | 60.874 |
| Other staff costs | 177.138 | 225.585 |
| Total | 6.593.894 | 5.234.683 |
| Average number of employees during the year | 8 | 4 |

2. Income from equity investments in group enterprises

| | | |
|--|---------------|----------|
| Share of profit or loss of group enterprises | 26.572 | 0 |
| Total | 26.572 | 0 |

3. Financial expenses

| | | |
|--------------------------|------------------|------------------|
| Other interest expenses | 2.029.369 | 811.533 |
| Foreign exchange losses | 34.632 | 14.241 |
| Other financial expenses | 405.419 | 308.464 |
| Total | 2.469.420 | 1.134.238 |

4. Tax on profit or loss for the year

| | | |
|---|-------------------|-------------|
| Adjustment of deferred tax for the year | -3.556.961 | -591 |
| Total | -3.556.961 | -591 |

5. Intangible assets

| Figures in DKK | Completed developmen t projects | Acquired rights | Develop- ment projects in progress | Total |
|--|---------------------------------------|--------------------|---|-------------|
| Cost pr. 01.01.18 | 37.465.974 | 9.539 | 24.753.827 | 62.229.340 |
| Additions during the year | 0 | 0 | 7.868.442 | 7.868.442 |
| Transfers during the year to/from other items | 0 | 1.063.862 | -1.063.862 | 0 |
| Cost as at 31.12.18 | 37.465.974 | 1.073.401 | 31.558.407 | 70.097.782 |
| Amortisation and impairment losses pr. 01.01.18 | -11.048.205 | -9.539 | 0 | -11.057.744 |
| Amortisation during the year | -3.755.248 | -104.587 | 0 | -3.859.835 |
| Amortisation and impairment losses as at 31.12.18 | -14.803.453 | -114.126 | 0 | -14.917.579 |
| Carrying amount as at 31.12.18 | 22.662.521 | 959.275 | 31.558.407 | 55.180.203 |

Development projects concerns development of ballast water management systems based on pasteurization for the maritime industry. The projects are expected to be completed within 1-2 years. Market researches shows a great future demand for such systems because of implementation of the ballast water convention by the IMO.

6. Equity investments in group enterprises

| Figures in DKK | Equity invest- ments in group enterprises |
|---|---|
| Cost pr. 01.01.18 | 0 |
| Additions during the year | 6.164 |
| Cost as at 31.12.18 | 6.164 |
| Net profit/loss from equity investments | 26.572 |
| Revaluations as at 31.12.18 | 26.572 |
| Carrying amount as at 31.12.18 | 32.736 |

7. Longterm payables

| Figures in DKK | Repayment first year | Outstanding debt after 5 years | Total payables at 31.12.18 | Total payables at 31.12.17 |
|---------------------------------------|-------------------------|--------------------------------------|----------------------------------|----------------------------------|
| Payables to other credit institutions | 503.167 | 0 | 24.503.167 | 24.422.821 |
| Other payables | 637.035 | 0 | 6.479.458 | 6.510.242 |
| Deferred income | 663.995 | 8.632.704 | 20.068.153 | 13.055.045 |
| Total | 1.804.197 | 8.632.704 | 51.050.778 | 43.988.108 |

8. Contingent liabilities

Lease commitments

The company has concluded lease agreements with an irrevocability of 55 months and a total lease of t.DKK 3.217.

Other contingent liabilities

The company has received grants for development projects from government authorities. The grants can be demanded reimbursed if the company transfers/sells/rents the projects, if the projects are abandoned, if the projects are not used or if the projects prove to generate significantly more earnings than expected. The total received grants for projects with current contingent liabilities are t.DKK 2.267, t.DKK 1.037 and t.DKK 500 a total of t.DKK 3.804. The contingent liability on these grants as of 31.12.2018 is t.DKK 2.521. A total amount of t.DKK 2.891 is included in deferred income.

The company has entered into an agreement on performance and exit payment with Danmarks Grønne Investeringsfond. The obligations in relation to the agreement amount to a minimum of t.DKK 1.500. The performance payment can, on basis of the agreed premises, amount to an additional t.DKK 4.500, which stipulates after the general meeting in 2021 on basis of accumulated EBITDA recognized from 2016 to 2021.

9. Charges and security

As collateral for debt to credit institutions a company pledge of t.DKK 12.000 has been provided comprising goodwill, intellectual property rights, other plant, fixtures and fittings, tools and equipment, inventories as well as trade receivables. The total carrying amount of the comprised assets is t.DKK 55.328.

10. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for enterprises in reporting class B with application of provisions for a higher reporting class.

The accounting policies have been applied consistently with previous years.

In accordance with section 110 of the Danish Financial Statements Act, the company has not prepared consolidated financial statements.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

10. Accounting policies - continued -**LEASES**

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

GOVERNMENT GRANTS

Government grants are recognised when there is reasonable certainty that the grant conditions have been met and that the grant will be received.

Grants received for the production or construction of assets are recognised as deferred income under payables. For depreciable and amortisable assets, the grant is recognised as the asset is depreciated or amortised.

INCOME STATEMENT**Gross loss**

Gross loss comprises other external expenses.

Other external expenses

Other external expenses comprise other variable costs, selling costs, cost of premises and administrative expenses

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

Depreciation, amortisation and impairment losses

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

10. Accounting policies - continued -

| | Useful lives, years | Residual value, per cent |
|---|------------------------|-----------------------------|
| Completed development projects | 5-10 | 0 |
| Acquired rights | 10 | 0 |
| Leasehold improvements | 3 | 0 |
| Other plant, fixtures and fittings, tools and equipment | 3 | 0 |

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Income from equity investments in group enterprises

For equity investments in subsidiaries, measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses.

Income from equity investments in subsidiaries also comprises gains and losses on the sale of equity investments.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

10. Accounting policies - continued -**Other taxes**

Other taxes comprises tax amounts that are calculated on a basis other than the income for the year.

BALANCE SHEET**Intangible assets***Completed development projects and development projects in progress*

Development projects are recognised in the balance sheet where the project aims at developing a specific product or a specific process, intended to be produced or used, respectively, by the company in its production process. On initial recognition, development projects are measured at cost. Cost comprises the purchase price plus expenses resulting directly from the purchase, including wages and salaries directly attributable to the development projects until the asset is ready for use. Interest on loans arranged to finance development projects in the development period is not included in the cost. Other development projects and development costs are recognised in the income statement in the year in which they are incurred.

Development projects in progress are transferred to completed development projects when the asset is ready for use.

Development projects are subsequently measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Completed development projects are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Acquired rights

Acquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of intangible assets

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

10. Accounting policies - continued -**Property, plant and equipment**

Property, plant and equipment comprise leasehold improvements as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Equity investments in group enterprises

Equity investments in subsidiaries are recognised and measured according to the equity method, meaning that these equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of positive or negative goodwill and gains and losses on transactions with the enterprises in question.

Gains or losses on the divestment of subsidiaries are determined as the difference between the divestment consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income statement under income from equity investments.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

10. Accounting policies - continued -

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank accounts as well as operating cash.

Equity

The net revaluation of equity investments in subsidiaries is recognised in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

10. Accounting policies - continued -

An amount equivalent to internally generated development costs in the balance sheet is recognised in equity under reserve for development costs. The reserve is measured less deferred tax and reduced by amortisation and impairment losses on the asset. If impairment losses on development costs are subsequently reversed, the reserve will be restored with a corresponding amount. The reserve is dissolved when the development costs are no longer associated with the operations of the enterprise, and the remaining amount will be transferred to retained earnings. In accordance with act no. 738 amending the Danish Financial Statements Act of 1 June 2015, development costs will initially be recognised in the reserve, with initial recognition in the balance sheet from 1 January 2016.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

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

10. Accounting policies - continued -**Deferred income**

Deferred income under liabilities comprises government grants received for construction of assets.