

2018

Annual report for 2018

NGF Nature Energy Biogas A/S
Ørbækvej 260, 5220 Odense SØ
CVR no. 34 61 40 91

Adopted at the annual
general meeting on
28 May 2019



Ole Hvelplund
chairman

nature
energy

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Statement by management on the annual report

The Board of Directors and Executive board have today discussed and approved the annual report of NGF Nature Energy Biogas A/S for the financial year 1 January - 31 December 2018.

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

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2018 and of the results of the company's operations for the financial year 1 January - 31 December 2018.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved by the company in general meeting.

Odense, 13 March 2019

Executive board



Ole Hvelplund
CEO

Board of Directors



Peter Gæmelke
chairman



Steen Parsholt



Sam Abboud



Terrence Tehranian

Independent auditor's report

To the shareholder of NGF Nature Energy Biogas A/S

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of NGF Nature Energy Biogas A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) 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 on 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 Act. We did not identify any material misstatement of management's review.

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 the financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditor's report

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 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 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.

Independent auditor's report

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.

Odense, 13 March 2019

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31



Jesper Lund
State Authorised Accountant
MNE no. mne10845



Line Hedam
State Authorised Accountant
MNE no. mne27768

Company details

The company

NGF Nature Energy Biogas A/S
Ørbækvej 260
5220 Odense SØ

CVR no.: 34 61 40 91
Reporting period: 1 January - 31 December 2018
Domicile: Odense

Board of Directors

Peter Gæmelke
Steen Parsholt
Sam Abboud
Terrence Tehranian

Executive board

Ole Hvelplund, CEO

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Rytterkasernen 21
5000 Odense C

Group report

The company is reflected in the group report for NGF Partnership K/S

Management's review

Business activities

NGF Nature Energy Biogas A/S fulfils the interests of the Nature Energy Group within the circular business, among others project development and the construction of projects relating to the production and upgrading of green gas to grid and biogas in transports.

NGF Nature Energy Biogas A/S is 100 % owned by NGF Denmark Holding ApS.

The company is the parent company to a number of biogas subsidiaries, project companies, NGF Nature Energy Green Gas Sales A/S, NGF Nature Energy Green Transport A/S and Xergi A/S.

NGF Nature Energy Biogas A/S is moreover responsible for the service functions of the other group companies.

In 2018, an average of 74 employees were employed by NGF Nature Energy Biogas A/S.

Business review

The company's income statement for the year ended 31 December shows a profit of TDKK 213,038, and the balance sheet at 31 December 2018 shows equity of TDKK 675,179.

On 31 May 2018, the subsidiary NGF Nature Energy A/S was sold to Energi Fyn Holding A/S.

At the end of 2018, NGF Nature Energy Biogas A/S acquired the companies Xergi A/S, Hemmet Bioenergi ApS and Sdr. Vium Bioenergi ApS.

Management's review

Biogas

The result reflects the allocation of resources necessary to select and mature the biogas pipeline projects.

A design and construction phase of about 1-2 years is estimated, before revenue from the biogas production are expected.

A significant part of the further development of the biogas business was initiated in 2017. The construction of the biogas plant at Korskro was completed in 2018, and in Videbæk a plant is expected commissioned in the beginning of 2019.

The plant in Holsted is currently being expanded and is expected to be completed in the middle of 2019. In Brande the plant was inaugurated in early 2018.

Thus, eight new biogas plants are fully commissioned during 2019 with a combined production of upgraded biogas with a magnitude of 100 million m³ per year.

During 2018 further shared competences for analysis, monitoring, and optimisation of the biogas production has been added to the Nature Energy Group. The main laboratory has been extended in order to enable the Group to develop and improve the biogas business further.

Progress is still made in order to secure the long-term foundation of the Danish biogas business, focusing on developing biogas projects in all of Denmark. During 2018, significant progress has been made in the maturation of projects in Sønderborg and on Zealand along with the expansions of existing plants.

In 2018 Nature Energy was pleased by the extension of the existing CNG plant in Sønderborg. At the end of 2018 a new CNG plant was part of our pipeline in Aalborg, inaugurated in February 2019.

Market

2018 was a changeable year for the Market section that was managed in NGF Nature Energy A/S.

Despite challenging circumstances, including an intensified competitive market, the Market section achieved an increase of the customer share on the B2C of around 1 per cent until the sale in May 2018 to Energi Fyn Holding A/S.

Construction

Xergi is a leading supplier of advanced turnkey biogas plants. Xergi designs and builds award winning biogas plants. Based upon more than 30 years' experience, the company has developed plant concepts which are flexible, robust in their construction, reliable in operations, and easy to operate.

Management's review

Strategy and objectives

The NGF Nature Energy companies continuously expect to offer green gas and green certificates to a much larger extent and to be able to offer new products derived hereof.

With green gas to grid a continuously stabile heat is secured to thousands of customers, directly from the natural gas grid and indirectly from the gas-heated district heating plants to an efficient production of process energy, e.g. to Danish companies depending on the highly efficient heat that can almost only be supplied through gas.

Special risks apart from generally occurring risks in industry

Operating risks

In 2019, the risk assessment will be characterised by the challenges related to securing a stable and optimal operation and production of the biogas plants. Securing the right sourcing of biomasses and hereby achieving the best production volume will have great impact of the profitability of the plants along with securing the output of the degassed biomasses in the animal dense agricultural areas.

Political objectives can change the possibilities and focus of the biogas business.

The company seeks to eliminate or reduce these risks in cooperation with external partners, advice from external specialists and, not least, through gaining the core competences within the Nature Energy companies.

NGF Nature Energy in general is exposed to risk of deviations of gas prices, exchange rates etc. The company handles these risks within the procedures of an established risk policy. Risks are sought eliminated through a high degree of compliance between the conditions of purchase and sale of natural gas.

Currency risks

NGF Nature Energy currently has loans in Danish Kroner and therefore no currency risks concerning loans. International activities, construction and sales of gas and certificates entail that the exchange rates affects the result, cash flow and equity of the company.

Interest-rate risks

The biogas companies' long-term debt are related to the companies' construction of biogas plants and potentially has a significant impact on the companies' financials. The biogas companies' long-term debt consists of bank loans as well as loans with other credit institutions.

Credit risks

There are no considerable credit risks for the biogas business, the companies continuously assesses new customers, which may result in demands of pre-payments or other form of deposits and ultimately a termination of the contracts.

Before signing of contract the construction business performs credit assessments of larger business partners.

Management's review

Recognition and measurement uncertainties

The recognition and measurement of items in the financial statements is not subject to any uncertainty.

Unusual matters

The company's financial position at 31 December 2018 and the results of its operations for the financial year ended 31 December 2018 are not affected by any unusual matters.

Significant events occurring after end of reporting period

No events have occurred after the balance sheet date which could significantly affect the company's financial position.

Income statement 1 January - 31 December

	Note	2018 TDKK	2017 TDKK
Gross profit		-23,108	-21,064
Staff costs	1	-39,079	0
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-6,199	-1,569
Other operating costs		-482	0
Profit/loss on ordinary activities before fair value adjustments		-68,868	-22,633
Profit/loss before net financials		-68,868	-22,633
Income from investments in subsidiaries	8	264,494	10,771
Income from investments in associates	9	1,773	-1,292
Financial income	3	10,898	479
Financial costs	4	-7,626	-1,687
Profit/loss before tax		200,671	-14,362
Tax on profit/loss for the year	5	12,367	5,288
Profit/loss for the year		213,038	-9,074
Retained earnings		213,038	-9,074
		213,038	-9,074

Balance sheet 31 December

	Note	2018 TDKK	2017 TDKK
Assets			
Acquired patents, licenses and other rights		11,285	5,626
Intangible assets	6	11,285	5,626
Land and buildings		38,295	30,922
Other fixtures and fittings, tools and equipment		3,487	3,758
Property, plant and equipment in progress		0	831
Tangible assets	7	41,782	35,511
Investments in subsidiaries	8	400,287	456,848
Investments in associates	9	10,976	9,020
Receivables from subsidiaries	10	8,000	8,000
Receivables from associates	10	8,000	0
Other fixed asset investments	10	1,900	1,900
Fixed asset investments		429,163	475,768
Total non-current assets		482,230	516,905
Raw materials and consumables		3,147	1,685
Stocks		3,147	1,685
Trade receivables		788	1,763
Receivables from subsidiaries		213,933	5,982
Receivables from associates		11,550	15,294
Other receivables		857	958
Deferred tax asset		21,064	8,697
Corporation tax		0	4,123
Receivables		248,192	36,817
Cash at bank and in hand		39,793	8
Total current assets		291,132	38,510
Total assets		773,362	555,415

Balance sheet 31 December

	Note	2018 TDKK	2017 TDKK
Equity and liabilities			
Share capital		6,329	3,000
Retained earnings		668,850	259,939
Equity	11	675,179	262,939
Other credit institutions		37,000	0
Total non-current liabilities	12	37,000	0
Other credit institutions	12	4	0
Trade payables		8,522	1,307
Payables to group enterprises		35,007	289,850
Other payables		17,650	13
Deferred income		0	1,306
Total current liabilities		61,183	292,476
Total liabilities		98,183	292,476
Total equity and liabilities		773,362	555,415
Rent and lease liabilities	13		
Contingencies, etc.	14		
Mortgages and collateral	15		
Related parties and ownership structure	16		

Statement of changes in equity

	Share capital	Share premium account	Retained earnings	Total
Equity at 1 January 2018	3,000	0	259,939	262,939
Cash capital increase	3,329	181,671	0	185,000
Other equity movements	0	0	14,202	14,202
Net profit/loss for the year	0	0	213,038	213,038
Transfer from share premium account	0	-181,671	181,671	0
Equity at 31 December 2018	6,329	0	668,850	675,179

Notes

	2018	2017
	TDKK	TDKK
1 Staff costs		
Wages and salaries	34,869	0
Pensions	2,954	0
Other social security costs	292	0
Other staff costs	964	0
	<u>39,079</u>	<u>0</u>
Average number of employees	<u>74</u>	<u>0</u>
2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Depreciation intangible assets	3,156	722
Depreciation tangible assets	3,037	847
Gain/loss on disposal	6	0
	<u>6,199</u>	<u>1,569</u>
3 Financial income		
Interest received from subsidiaries	10,020	352
Interest received from associates	870	18
Other financial income	8	109
	<u>10,898</u>	<u>479</u>
4 Financial costs		
Financial expenses, group entities	0	1,624
Other financial costs	7,626	63
	<u>7,626</u>	<u>1,687</u>

Notes

	2018	2017
	TDKK	TDKK
5 Tax on profit/loss for the year		
Current tax for the year	0	-4,123
Deferred tax for the year	-12,367	-1,165
	-12,367	-5,288

6 Intangible assets

	Acquired patents, licenses and other rights
Cost at 1 January 2018	6,411
Additions for the year	8,815
Transfers for the year	0
Cost at 31 December 2018	15,226
Impairment losses and amortisation at 1 January 2018	785
Amortisation for the year	3,156
Impairment losses and amortisation at 31 December 2018	3,941
Carrying amount at 31 December 2018	11,285

Notes

7 Tangible assets

	Land and buildings	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
Cost at 1 January 2018	31,088	6,832	831	38,751
Additions for the year	9,685	647	2,225	12,557
Disposals for the year	0	-6,304	0	-6,304
Transfers for the year	0	3,012	-3,056	-44
Cost at 31 December 2018	40,773	4,187	0	44,960
Impairment losses and depreciation at 1 January 2018	166	3,073	0	3,239
Depreciation for the year	2,312	725	0	3,037
Reversal of impairment and depreciation of sold assets	0	-3,054	0	-3,054
Transfers for the year	0	-44	0	-44
Impairment losses and depreciation at 31 December 2018	2,478	700	0	3,178
Carrying amount at 31 December 2018	38,295	3,487	0	41,782

Notes

	2018 TDKK	2017 TDKK
8 Investments in subsidiaries		
Cost at 1 January 2018	481,242	107,887
Additions for the year	138,046	373,709
Disposals for the year	-187,939	-354
Cost at 31 December 2018	<u>431,349</u>	<u>481,242</u>
Revaluations at 1 January 2018	-24,394	-35,936
Disposals for the year	-135,191	255
Net profit/loss for the year	269,606	10,771
Received dividend	-150,000	0
Other equity movements, net	14,029	516
Amortisation of goodwill	-879	0
Change in intercompany profit on tangible assets	-4,233	0
Revaluations at 31 December 2018	<u>-31,062</u>	<u>-24,394</u>
Carrying amount at 31 December 2018	<u>400,287</u>	<u>456,848</u>
Remaining positive difference included in the above carrying amount at 31 December 2018	<u>53,360</u>	

Notes

Investments in subsidiaries are specified as follows:

Name	Registered office	Ownership interest
NGF Nature Energy Nørager A/S	Odense	100%
NGF Nature Energy Ørbæk A/S	Odense	100%
NGF Nature Energy Korsbro A/S	Odense	96%
NGF Nature Energy Vaarst A/S	Odense	83%
NGF Nature Energy Holsted A/S	Odense	71%
NGF Nature Energy Midtfyn A/S	Odense	84%
NGF Nature Energy Nordfyn A/S	Odense	74%
NGF Nature Energy Sønderborg A/S	Odense	100%
NGF Nature Energy Trekanen A/S	Odense	51%
Nature Energy Holbæk ApS	Odense	100%
Bionaturgas 9 ApS	Odense	100%
Nature Energy Køng ApS	Odense	100%
NGF Nature Energy Videbæk A/S	Odense	92%
NGF Nature Energy Green Gas Sales A/S	Odense	100%
NGF Nature Energy Green Transport A/S	Odense	100%
Hemmet Bioenergi ApS	Odense	100%
Sdr. Vium Bioenergi ApS	Odense	100%
Xergi A/S	Støvring	100%
Nature Energy Kværns ApS	Odense	100%
Nature Energy 1 ApS	Odense	100%
Nature Energy 2 ApS	Odense	100%
Nature Energy 3 ApS	Odense	100%
Nature Energy 4 ApS	Odense	100%

Notes

	2018 TDKK	2017 TDKK
9 Investments in associates		
Cost at 1 January 2018	11,949	2,768
Additions for the year	0	10,674
Disposals for the year	0	-1,493
Cost at 31 December 2018	11,949	11,949
Revaluations at 1 January 2018	-2,919	-1,324
Disposals for the year	0	-255
Net profit/loss for the year	1,773	-1,292
Other equity movements, net	173	-58
Revaluations at 31 December 2018	-973	-2,929
Carrying amount at 31 December 2018	10,976	9,020

Investments in associates are specified as follows:

Name	Registered office	Ownership interest
NGF Nature Energy Månsson A/S	Odense	49%

10 Fixed asset investments

	Receivables from subsidiaries	Receivables from associates	Other fixed asset investments
Cost at 1 January 2018	8,000	0	1,900
Additions for the year	0	8,000	0
Cost at 31 December 2018	8,000	8,000	1,900
Carrying amount at 31 December 2018	8,000	8,000	1,900

Receivables from subsidiaries and associated companies consist of the subordinated loan. The loan is remunerated, repayable and can be converted in the event of default.

Notes

11 Equity

The share capital has developed as follows:

	2018 TDKK	2017 TDKK	2016 TDKK	2015 TDKK	2014 TDKK
Share capital at 1 January 2018	3,000	2,500	2,500	1,000	500
Additions for the year	3,329	500	0	1,500	500
Share capital	6,329	3,000	2,500	2,500	1,000

12 Long term debt

	2018 TDKK	2017 TDKK
Other credit institutions		
After 5 years	32,316	0
Between 1 and 5 years	4,684	0
Non-current portion	37,000	0
Other short-term debt to credit institutions	4	0
Current portion	4	0
	37,004	0

13 Rent and lease liabilities

Operating lease liabilities.
Total future lease payments:

Within 1 year	657	0
Between 1 and 5 years	727	0
After 5 years	0	0
	1,384	0

Notes

14 Contingencies, etc.

The Group's Danish companies are jointly and severally liable for tax on the Group's jointly taxed income, etc. The total amount of due corporation tax payable is stated in the annual report of NGF Partnership K/S, which is the company that administers co-taxation. Furthermore, the Group's Danish companies are jointly and severally liable for Danish taxes in the form of dividend tax and interest tax. Any subsequent corrections to corporate taxes may increase the the Company's commitment.

The Company has signed contracts for 1,900 TDKK for a 3 year period.

The Company has pledged bank account, TDKK 39,744, for collateral for bank balances in subsidiaries; NGF Nature Energy Midtfyn A/S, NGF Nature Energy Holsted A/S, NGF Nature Energy Vaarst A/S, NGF Nature Energy Korsbro A/S, NGF Nature Energy Nordfyn A/S og NGF Nature Energy Green Gas Sales A/S.

The Company is unlimited jointly and severally liable to banks for the subsidiaries NGF Nature Energy Midtfyn A/S, NGF Nature Energy Holsted A/S, NGF Nature Energy Vaarst A/S, NGF Nature Energy Korsbro A/S, NGF Nature Energy Nordfyn A/S, NGF Nature Energy Green Gas Sales A/S and NGF Nature Energy Videbæk A/S.

The Company guarantees obligations in the subsidiaries Bionaturgas 9 ApS, NGF Nature Energy Kværs ApS, Nature Energy 1 ApS, Nature Energy 2 ApS, Nature Energy 3 ApS and Nature Energy 4 ApS until the companies have submitted annual reports for a subsequent financial year in accordance with section 6 of the Danish Financial Statements Act §6.

The Company has provided a guarantee of TDKK 3.340 to third parties as collateral of subsidiaries' payments.

The Company is jointly and severally liable to third parties for the subsidiaries' leasing agreements with residual value of TDKK 12.549.

The Company has provided a guarantee of TDKK 20 to third-parties.

Cash pool

The Company is included in a cash pool agreement with subsidiaries and guarantees for these companies' obligations in relation to credit in the cash pool facility account.

Pledged shares

The Company has provided shares in a subsidiary as collateral for debt to other credit institutions. The book value of the shares per December 31, 2018, TDKK 83,593.

Notes

	2018 TDKK	2017 TDKK
15 Mortgages and collateral		
The following assets have been put up as security for debt to mortgage credit institutions:		
Land and buildings	38,295	-
	38,295	-

16 Related parties and ownership structure

Controlling interest

NGF Partnership K/S
NGF Denmark Holding ApS

Consolidated financial statements

The company is reflected in the group report for NGF Partnership K/S

Accounting policies

The Annual Report of NGF Nature Energy Biogas A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied are consistent with those of last year.

The annual report for 2018 is presented in TDKK

Pursuant to sections §112, of the Danish Financial Statements Act, the company has not prepared consolidated financial statements.

Basis of recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Foreign currency translation

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Accounting policies

Leases

All leases are operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The company's total liabilities relating to operating leases and other rent agreements are disclosed under 'Contingencies, etc.'.

Income statement

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Staff costs

Staff expenses comprise wages and salaries as well as payroll expenses other than production wages.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Accounting policies

Income from investments in subsidiaries and associates

The items "Income from investments in subsidiaries" and "Income from investments in associates" in the income statement include the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish subsidiaries. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance sheet

Intangible assets

Acquired patents, licenses and other rights

Acquired patents, licences and other rights are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining patent period, and licences and other rights are amortised over the term of the licence or the other right, however not more than 5 years.

Tangible assets

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

The depreciable amount is cost less the expected residual value at the end of the useful life. Land is not depreciated.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

Accounting policies

Land and buildings	20	years
Other fixtures and fittings, tools and equipment	3-10	years

Depreciation period and residual value are reassessed annually.

Gains or losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses, respectively.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are recognised and measured under the equity method.

The items "Investments in subsidiaries" and "Investments in associates" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries and associates is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries and the associates.

Subsidiaries and associates with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other securities and investments, fixed assets

Investments are measured at fair value.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Stocks

Stocks are measured at cost using the FIFO method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

Accounting policies

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

Receivables

Receivables are measured in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Equity

Dividends

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Income tax and deferred tax

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Accounting policies

Liabilities

Mortgage debt is thus measured at amortised cost, which for cash loans corresponds to the outstanding debt. For bond loans, amortised cost corresponds to an outstanding debt calculated as the underlying cash value of the loan at the time of borrowing, adjusted by amortisation of the value adjustment of the loan at the time of borrowing.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Cash flow statement

Pursuant to sections §86, of the Danish Financial Statements Act, no cash flow statement has been prepared for the company, as the company's cash flows are included in the consolidated cash flow statement.