Mille Food A/S

Unovej 1, 3390 Hundested
CVR no. 37 98 89 87

Annual report for 2018

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 19.03.19

Martin Thomsen
Dirigent

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Company information etc.

The company

Mille Food A/S
Unovej 1
3390 Hundested
Danmark
Registered office: Halsnæs
CVR no.: 37 98 89 87
Financial year: 01.01 - 31.12

Executive Board

Director Wei Qing Wang

Board Of Directors

Chairman Axel Christian Tesdorpf Castenschiold, chairman
Wentao Zhang
Qiang Liu
Director Wei Qing Wang
Ulrik Sletten

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6
Postboks 1600
0900 Copenhagen C

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 Mille Food A/S.

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

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

Hundested, February 26, 2019

Executive Board

Wei Qing Wang
Director

Board Of Directors

Axel Christian Tesdorpf Castenschiold
Chairman

Wentao Zhang

Qiang Liu

Wei Qing Wang
Director

Ulrik Sletten

To the Shareholder of Mille Food A/S

Opinion

We have audited the financial statements of Mille Food A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement 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 31.12.2018 and of the results of its operations and cash flows for the financial year 01.01.2018 - 31.12.2018 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 of 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's responsibility 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 financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary
Management is responsible for the management commentary.

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

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

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

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

Copenhagen, February 26, 2019

Deloitte Statsautoriseret Revisionspartnerselskab
CVR no. 33963556

Jens Jørgensen Baes
State Authorized Public Accountant
MNE-no. mne14956

Primary activities

The company's activities comprise manufacturing of infant formula.

Development in activities and financial affairs

The income statement for the period 01.01.18 - 31.12.18 shows a profit/loss of DKK -1,420,506 against DKK -6,816,575 for the period 31.08.16 - 31.12.17. The balance sheet shows equity of DKK 31,762,919.

Subsequent events

No important events have occurred after the end of the financial year.

Income statement

Note		2018 DKK	31.08.16 31.12.17 DKK
	Gross result	**32,002,435**	**-4,994,492**
1	Staff costs	-24,405,328	-3,540,834
	Profit/loss before depreciation, amortisation, write-downs and impairment losses	**7,597,107**	**-8,535,326**
	Depreciation, amortisation, impairment losses and write-downs of property, plant and equipment	-4,293,305	0
	Profit/loss before net financials	**3,303,802**	**-8,535,326**
2	Financial income	80,880	0
3	Financial expenses	-5,179,750	-158,964
	Profit/loss before tax	**-1,795,068**	**-8,694,290**
	Tax on profit or loss for the year	374,562	1,877,715
	Profit/loss for the year	**-1,420,506**	**-6,816,575**

Proposed appropriation account		
Retained earnings	-1,420,506	-6,816,575
Total	**-1,420,506**	**-6,816,575**

Balance sheet

ASSETS

Note		31.12.18 DKK	31.12.17 DKK
	Development projects in progress	334,982	0
4	**Total intangible assets**	**334,982**	**0**
	Land and buildings	28,931,898	0
	Plant and machinery	38,322,148	0
	Property, plant and equipment under construction	0	67,257,824
5	**Total property, plant and equipment**	**67,254,046**	**67,257,824**
6	Equity investments in group enterprises	2,000,000	500,000
	Deposits	0	22,000
	Total investments	**2,000,000**	**522,000**
	Total non-current assets	**69,589,028**	**67,779,824**
	Raw materials and consumables	8,779,085	1,071,825
	Manufactured goods and goods for resale	14,261,990	0
	Total inventories	**23,041,075**	**1,071,825**
	Trade receivables	5,243,265	0
	Receivables from group enterprises	5,390,842	0
7	Deferred tax asset	2,252,277	1,877,715
	Other receivables	1,027,181	1,832,590
	Total receivables	**13,913,565**	**3,710,305**
	Cash	**25,184,058**	**8,978,000**
	Total current assets	**62,138,698**	**13,760,130**
	Total assets	**131,727,726**	**81,539,954**

Balance sheet

EQUITY AND LIABILITIES

Note		31.12.18 DKK	31.12.17 DKK
	Share capital	40,000,000	40,000,000
	Reserve for development costs	261,282	0
	Retained earnings	-8,498,363	-6,816,575
	Total equity	**31,762,919**	**33,183,425**
8	Payables to other credit institutions	29,074,122	34,557,877
	Total long-term payables	**29,074,122**	**34,557,877**
8	Short-term portion of long-term payables	6,978,000	3,809,000
	Trade payables	36,999,561	2,735,731
	Payables to group enterprises	24,408,118	6,155,503
	Other payables	2,505,006	1,098,418
	Total short-term payables	**70,890,685**	**13,798,652**
	Total payables	**99,964,807**	**48,356,529**
	Total equity and liabilities	**131,727,726**	**81,539,954**

9 Contingent liabilities
10 Charges and security

Statement of changes in equity

Figures in DKK	Share capital	Reserve for development costs	Retained earnings
Statement of changes in equity for 01.01.18 - 31.12.18			
Balance at 01.01.18	40,000,000	0	-6,816,575
Transfers to/from other reserves	0	261,282	-261,282
Net profit/loss for the year	0	0	-1,420,506
Balance as at 31.12.18	40,000,000	261,282	-8,498,363

Cash flow statement

Note		2018 DKK	31.08.16 31.12.17 DKK
	Net profit/loss for the year	**-1,420,506**	**-6,816,575**
11	Adjustments	9,017,613	-1,718,751
	Change in working capital:		
	Inventories	-21,969,250	-1,071,825
	Receivables	-9,828,698	-1,832,590
	Trade payables	34,264,015	2,735,731
	Other payables relating to operating activities	1,406,588	7,253,921
	Cash flows from operating activities before net financials	**11,469,762**	**-1,450,089**
	Interest income and similar income received	80,880	0
	Interest expenses and similar expenses paid	-5,179,750	-158,964
	Cash flows from operating activities	**6,370,892**	**-1,609,053**
	Purchase of intangible assets	-334,982	0
	Purchase of property, plant and equipment	-4,291,928	-67,257,824
	Sale of property, plant and equipment	2,216	0
	Purchase of investments	-1,500,000	-522,000
	Disposal of investments	22,000	0
	Cash flows from investing activities	**-6,102,694**	**-67,779,824**
	Raising of additional capital	0	40,000,000
	Repayment of mortgage debt	-2,314,755	0
	Arrangement of credit institutions	0	38,366,877
	Arrangement of debt, group enterpises	18,252,615	0
	Cash flows from financing activities	**15,937,860**	**78,366,877**
	Total cash flows for the year	**16,206,058**	**8,978,000**
	Cash, beginning of year	8,978,000	0
	Cash, end of year	**25,184,058**	**8,978,000**
	Cash, end of year, comprises:		
	Cash	25,184,058	8,978,000
	Total	**25,184,058**	**8,978,000**

	2018 DKK	31.08.16 31.12.17 DKK

1. Staff costs

	2018 DKK	31.08.16 31.12.17 DKK
Wages and salaries	20,403,125	2,260,637
Pensions	2,736,768	857,875
Other social security costs	269,315	52,917
Other staff costs	996,120	369,405
Total	24,405,328	3,540,834
Average number of employees during the year	40	14
Salaries transferred to property, plant and equipment	-1,073,008	-4,989,700
Salaries transferred til development projects	-173,482	0

2. Financial income

	2018 DKK	31.08.16 31.12.17 DKK
Interest, group enterprises	69,932	0
Other financial income	10,948	0
Total	80,880	0

	2018 DKK	31.08.16 31.12.17 DKK

3. Financial expenses

	2018 DKK	31.08.16 - 31.12.17 DKK
Interest, group enterprises	624,491	120,721
Other interest expenses	2,190,902	21,038
Foreign currency translation adjustments	61,328	3,320
Foreign exchange losses	28,355	4,310
Other financial expenses	2,274,674	9,575
Other financial expenses total	4,555,259	38,243
Total	5,179,750	158,964

4. Intangible assets

Figures in DKK	Development projects in progress
Additions during the year	334,982
Cost as at 31.12.18	334,982
Carrying amount as at 31.12.18	334,982

Development projects in progress include the development of new products to infants. The development project are expected to be completed in 2020 and comprise of both external consultancy fees and internal labour costs.

5. Property, plant and equipment

Figures in DKK	Land and buildings	Plant and machinery	Property, plant and equipment under construction
Cost at 01.01.18	0	0	67,257,824
Additions during the year	1,968,221	2,323,522	0
Transfers during the year to/from other items	27,761,148	39,496,676	-67,257,824
Cost as at 31.12.18	29,729,369	41,820,198	0
Depreciation during the year	-797,471	-3,498,050	0
Depreciation and impairment losses as at 31.12.18	-797,471	-3,498,050	0
Carrying amount as at 31.12.18	28,931,898	38,322,148	0
Interest expenses included in cost as at 31.12.18	665,319	710,781	0

6. Equity investments

Figures in DKK	Equity investments in group enterprises	Equity investments in joint ventures
Cost at 01.01.18	500,000	0
Additions during the year	1,500,000	0
Cost as at 31.12.18	2,000,000	0
Carrying amount as at 31.12.18	2,000,000	0

Name and Registered office:	Ownership interest	Equity	Net profit/loss for the year
Group enterprises:			
Danish-Chinese Organic Food Center A/S, København	100%	1,738,749	-121,384

	31.12.18 DKK	31.12.17 DKK
7. Deferred tax		
Provisions for deferred tax as at 01.01.18	1,877,715	0
Deferred tax recognised in the income statement	374,562	1,877,715
Provisions for deferred tax as at 31.12.18	2,252,277	1,877,715
Deffered tax comprises:		
Property, plant and equipment	623,010	0
Liabilities	33,212	0
Tax losses	1,596,055	1,877,715
Total	2,252,277	1,877,715

8. 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	6,978,000	416,000	36,052,122	38,366,877
Total	6,978,000	416,000	36,052,122	38,366,877

9. Contingent liabilities

Total contingent liabilities	552,055	179,485

Other contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Mille Food Holding A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

The Company served as an administration company in a Danish joint taxation arrangement until 20.12.2018. According to the joint taxation provisions of the Danish Corporation Tax Act, the entity is therfore liable from the finacial year 2017 for income taxes etc for the jointly taxed entities, and from obligations, if any, relating fo the withholding of tax on interest, royalties and dividend for the jointly taxed entities until 20.12.2018

10. Charges and security

The company has issued mortgage deeds registered to the mortgagor in the total amount of DKK 68,820,000 secured upon land & buildings with a carrying amount of DKK 28.931.898.

As company for debt to credit institutions, a company charge of DKK 20,000,000 has been provided comprising trade receivables, other receivables, inventories and plant and machinery. The total carrying amount of the comprised assets is DKK 67.633.669.

The company has chattel mortgage with a mortgage in plant and machinery on 38.322.148.

	2018 DKK	31.08.16 31.12.17 DKK

11. Adjustments for the cash flow statement

Depreciation, amortisation, impairment losses and write-downs	4,293,305	0
Financial income	-80,880	0
Financial expenses	5,179,750	158,964
Tax on profit or loss for the year	-374,562	-1,877,715
Total	9,017,613	-1,718,751

12. 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, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

12. Accounting policies - continued -

INCOME STATEMENT

Gross result

Gross result comprises revenue, other operating income and raw materials and consumables and other external expenses.

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

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

12. Accounting policies - continued -

Depreciation and impairment losses

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

	Useful lives, years	Residual value DKK
Buildings	25 years	3,000,000
Plant and machinery	3 - 10 years	0

Land is not depreciated.

The basis of depreciation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation 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.

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.

12. Accounting policies - continued -

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.

The company is jointly taxed with Danish consolidated enterprises. The parent is the administration company for the joint taxation and thus settles all income tax payments with the tax authorities.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

12. Accounting policies - continued -

BALANCE SHEET

Intangible assets

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.

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.

Property, plant and equipment

Property, plant and equipment comprise land and buildings og plant and machinery.

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.

The total cost of an asset is decomposed into separate components that are depreciated separately if the useful lives of the individual components vary.

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

12. Accounting policies - continued -

losses' section.

Property, plant and equipment under construction

Property, plant and equipment under construction are measured at cost. Costs incurred on property, plant and equipment under construction are transferred to the relevant asset category when the asset is ready for use.

Gains and losses on the disposal of property, plant and equipment

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 entreprises

Equity investments in subsidiaries are measured in the balance sheet at cost less any impairment losses.

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.

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.

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

If dividends are distributed on equity investments in subsidiaries exceeding the year earnings from the enterprise in question, this is considered an indication of impairment.

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

12. Accounting policies - continued -

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.

Inventories

Inventories are measured at cost calculated according to the FIFO principle. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The cost of manufactured finished goods and work in progress is determined as the value of direct material, labour costs and indirect production costs.. Interest on loans arranged to finance production is not included in the cost.

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 as well as costs of factory administration and management. Finance costs are not included in cost

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

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.

12. Accounting policies - continued -

Cash

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

Equity

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.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

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.

12. Accounting policies - continued -

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.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, showing cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the company's share capital and associated costs and financing from and dividends paid to shareholders as well as the arrangement and repayment of long-term payables.

Cash and cash equivalents at the beginning and end of the year comprise cash.