Emidan A/S

Sofiendalsvej 88A, 9200 Aalborg SV

CVR no. 43 93 79 28

Annual report for 2019

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 26.06.20

Frédéric Leblan
Dirigent

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Company information etc.

The company

Emidan A/S
Sofiendalsvej 88A
9200 Aalborg SV
Danmark
Tel.: 98 18 90 00
Website: www.emidan.dk
Registered office: Aalborg
CVR no.: 43 93 79 28
Financial year: 01.01 - 31.12

Executive Board

Rune Østerby Pedersen

Board of Directors

Frédéric Michel Xavier Leblan
Domenico Albanese
Olivier Marie Michel Denis Klein

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

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

We have on this day presented the annual report for the financial year 01.01.19 - 31.12.19 for Emidan 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 company's assets, liabilities and financial position as at 31.12.19 and of the results of the company's activities for the financial year 01.01.19 - 31.12.19.

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.

Aalborg, May 29, 2020

Executive Board

Rune Østerby Pedersen

Board of Directors

Frédéric Michel Xavier Leblan Chairman	Domenico Albanese	Olivier Marie Michel Denis Klein

Independent auditor's report

To the Shareholder of Emidan A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Emidan A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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, in our view, 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 in 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 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 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.

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.

Aalborg, May 29, 2020

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33771231

Rasmus Mellergaard Stenskrog
State Authorized Public Accountant
mne34161

FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	2019	2018	2017	2016	2015
Profit/loss					
Gross profit	29.772	24.890	31.005	31.819	32.248
Index	92	77	96	99	100
Operating profit	14.510	12.057	19.570	20.718	21.508
Index	67	56	91	96	100
Total net financials	793	871	-144	-507	112
Index	708	778	-129	-453	100
Profit for the year	11.772	10.143	15.117	15.689	16.535
Index	71	61	91	95	100
Balance					
Total assets	168.031	125.918	155.543	123.590	148.764
Index	113	85	105	83	100
Investments in software, property, plant and equipment	58	574	92	13	17
Index	341	3.376	541	76	100
Equity	62.602	60.818	65.884	65.242	60.001
Index	104	101	110	109	100

Ratios

	2019	2018	2017	2016	2015
Profitability					
Return on equity	19,1%	16,0%	23,1%	25,1%	32,0%
Return on assets	8,8%	9,6%	12,6%	17,4%	15,0%
Equity ratio					
Equity interest	37,3%	48,3%	42,4%	52,8%	40,3%
Others					
Number of employees (average)	16	18	18	17	17

Return on equity: $\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$

Equity interest: $\frac{\text{Equity, end of year x 100}}{\text{Total assets}}$

Return on assets $\frac{\text{Profit before financials x 100}}{\text{Total assets}}$

The ratios have been computed in accordance with the recommendations of the Danish Society of Financial Analysts (Den Danske Finansanalytikerforening).

In the key figures, dots are used as thousands separator.

Primary activities

The Company's main activities is trading raw materials, packaging and equipment etc. primarily to West African countries.

Uncertainty concerning recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Exceptional conditions

The result for 2019 was affected by the restructuring of the company at the end of November 2019. The restructuring has resulted in the company's profit being adversely affected by DKK 6.049k as a result of provisions for the restructuring.

Development in activities and financial affairs

The income statement for the period 01.01.19 - 31.12.19 shows a profit of DKK 11.771.897 against DKK 10.142.605 for the period 01.01.18 - 31.12.18. The balance sheet shows equity of DKK 62.602.476.

The management considers the net profit for the year to be satisfactory, the restructuring provision taken into account.

The company expected same activity as 2018 however due to uptake in activity in first 3 quarters of the year the earnings adjusted for restructuring provision landed well above 2018. Earnings including the restructuring provision landed slightly above 2018 level.

Outlook

The company expects same activity as 2019 and as a result, earnings at the same level is expected. See note 19 for assessment of COVID-19 impact on outlook for 2020

Special risks

Market risks

As the Company primarily conducts business with Group Companies located in West Africa, the Company is constantly exposed to relatively large risks, primarily relating to the political situation.

Currency risks

The Company is, as a result of existing market risks, constantly exposed to relatively large risks, primarily relating to foreign exchange risks.

In order to partially hedge the monetary risks the Company enters into forward exchange contracts to hedge contracted orders.

External environment

It is deemed unlikely that the Company´s activities have a significant impact on the external environment.

Research and development activities

The Company has no formalized research and development activities.

Subsequent events

The management refers to Note 19 - Subsequent Events for further commenting on our expectations.

Income statement

Note		2019 DKK	2018 DKK
1	**Gross profit**	**29.771.594**	**24.890.483**
1, 3	Staff costs	-14.986.929	-12.640.191
4	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-274.398	-193.491
	Profit before net financials	**14.510.267**	**12.056.801**
5	Financial income	1.257.506	1.437.402
6	Financial expenses	-464.629	-566.220
	Profit before tax	**15.303.144**	**12.927.983**
	Tax on profit or loss for the year	-3.531.247	-2.785.378
	Profit for the year	**11.771.897**	**10.142.605**

7 Distribution of net profit

Balance sheet

ASSETS

Note		31.12.19 DKK	31.12.18 DKK
	Software	412.060	475.313
8	**Total intangible assets**	**412.060**	**475.313**
	Leasehold improvements	17.953	121.912
	Other fixtures and fittings, tools and equipment	76.310	125.807
9	**Total property, plant and equipment**	**94.263**	**247.719**
10	Deposits	120.197	117.768
	Total investments	**120.197**	**117.768**
	Total non-current assets	**626.520**	**840.800**
	Manufactured goods and goods for resale	8.305.592	4.042.402
	Total inventories	**8.305.592**	**4.042.402**
	Trade receivables	382.539	142.928
	Receivables from group enterprises	132.119.218	117.789.982
11	Deferred tax asset	1.247.945	0
	Other receivables	18.183.750	954.191
12	Prepayments	43.491	50.006
	Total receivables	**151.976.943**	**118.937.107**
	Cash	**7.121.877**	**2.097.225**
	Total current assets	**167.404.412**	**125.076.734**
	Total assets	**168.030.932**	**125.917.534**

Balance sheet

EQUITY AND LIABILITIES

Note		31.12.19 DKK	31.12.18 DKK
13	Share capital	5.000.000	5.000.000
	Retained earnings	45.830.579	45.675.796
	Proposed dividend for the financial year	11.771.897	10.142.605
	Total equity	**62.602.476**	**60.818.401**
14	Other provisions	6.049.000	0
	Total provisions	**6.049.000**	**0**
15	Other payables	282.189	0
	Total long-term payables	**282.189**	**0**
	Payables to other credit institutions	5.979.094	11.928.093
	Trade payables	81.528.449	43.712.054
	Payables to group enterprises	5.198.286	3.646.101
	Income taxes	3.111.302	2.759.718
	Other payables	3.280.136	3.053.167
	Total short-term payables	**99.097.267**	**65.099.133**
	Total payables	**99.379.456**	**65.099.133**
	Total equity and liabilities	**168.030.932**	**125.917.534**

16 Derivative financial instruments
17 Contingent liabilities
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19 Subsequent events

Statement of changes in equity

Figures in DKK	Share capital	Retained earnings	Proposed dividend for the financial year	Total equity
Statement of changes in equity for 01.01.18 - 31.12.18				
Balance as at 01.01.18	5.000.000	45.766.769	15.117.470	65.884.239
Fair value adjustment of hedging instruments	0	-116.632	0	-116.632
Dividend paid	0	0	-15.117.470	-15.117.470
Tax on changes in equity	0	25.659	0	25.659
Net profit/loss for the year	0	0	10.142.605	10.142.605
Balance as at 31.12.18	5.000.000	45.675.796	10.142.605	60.818.401
Statement of changes in equity for 01.01.19 - 31.12.19				
Balance as at 01.01.19	5.000.000	45.675.796	10.142.605	60.818.401
Fair value adjustment of hedging instruments	0	198.440	0	198.440
Dividend paid	0	0	-10.142.605	-10.142.605
Tax on changes in equity	0	-43.657	0	-43.657
Net profit/loss for the year	0	0	11.771.897	11.771.897
Balance as at 31.12.19	5.000.000	45.830.579	11.771.897	62.602.476

1. Special items

Special items are income and expenses that are special due to their size and nature. The following special items were recorded in the financial year:

Special items:	Recognised in the income statement in:	2019 DKK	2018 DKK
Costs concerning the restructuring of activities	Wages and salaries	3.881.000	0
Costs concerning the restructuring of activities	Other external expenses / gross profit	2.168.000	0
Total		6.049.000	0

2. Exceptional conditions

The result for 2019 was affected by the restructuring of the company at the end of November 2019. The restructuring has resulted in the company's profit being adversely affected by DKK 6.049k as a result of provisions for the restructuring.

	2019 DKK	2018 DKK
3. Staff costs		
Wages and salaries	14.181.692	11.702.032
Pensions	641.391	756.267
Other social security costs	163.846	181.892
Total	14.986.929	12.640.191
Average number of employees during the year	16	18

Remuneration for the management:

Remuneration to the Executive Board has not been disclosed in accordance with section 98B of the Danish Financial Statement Act.

	2019 DKK	2018 DKK

4. Depreciation, amortisation, impairment losses and write-downs of intangible assets and property, plant and equipment

Amortisation of intangible assets	120.942	25.561
Depreciation of property, plant and equipment	153.456	167.930
Total	274.398	193.491

5. Financial income

Interest, group enterprises	1.098.737	1.041.580
Foreign currency translation adjustments	158.734	384.483
Other financial income	35	11.339
Total	1.257.506	1.437.402

6. Financial expenses

Other financial expenses	464.629	566.220

7. Distribution of net profit

Proposed dividend for the financial year	11.771.897	10.142.605

8. Intangible assets

Figures in DKK	Software
Cost as at 01.01.19	1.551.630
Additions during the year	57.689
Cost as at 31.12.19	1.609.319
Amortisation and impairment losses as at 01.01.19	-1.076.317
Amortisation during the year	-120.942
Amortisation and impairment losses as at 31.12.19	-1.197.259
Carrying amount as at 31.12.19	412.060

9. Property, plant and equipment

Figures in DKK	Leasehold improvements	Other fixtures and fittings, tools and equipment
Cost as at 01.01.19	617.226	957.069
Cost as at 31.12.19	617.226	957.069
Depreciation and impairment losses as at 01.01.19	-495.314	-831.262
Depreciation during the year	-103.959	-49.497
Depreciation and impairment losses as at 31.12.19	-599.273	-880.759
Carrying amount as at 31.12.19	17.953	76.310

10. Non-current financial assets

Figures in DKK	Deposits
Cost as at 01.01.19	117.769
Additions during the year	2.428
Cost as at 31.12.19	120.197

	31.12.19 DKK	31.12.18 DKK

11. Deferred tax

Deferred tax recognised in the income statement	1.247.945	0
Provisions for deferred tax as at 31.12.19	1.247.945	0
Deferred tax is recognized in the balance sheet as:		
Deferred tax asset	1.247.945	0

As at 31.12.2019, the company has recognised a deferred tax asset of DKK 1.248k, which can primarily be attributed to tax losses carried forward. The deferred tax asset is recognised on the basis of expectations of positive operating results for the coming years.

	31.12.19 DKK	31.12.18 DKK

12. Prepayments

Prepaid insurance and lease	43.491	50.006

13. Share capital

The share capital consists of:

	Quantity	Total nominal value
Shares	100	5.000.000

There have been no changes in the share capital during the last 5 years

14. Other provisions

Figures in DKK	Obligation for dismandling, removing and restoring
Provisions during the year	6.049.000
Provisions as at 31.12.19	6.049.000

	31.12.19 DKK	31.12.18 DKK
Other provisions are expected to be distributed as follows:		
Current liabilities	6.049.000	0

15. Long-term payables

Figures in DKK	Repayment first year	Outstanding debt after 5 years	Total payables at 31.12.19	Total payables at 31.12.18
Other payables	0	0	282.189	0
Total	0	0	282.189	0

16. Derivative financial instruments

The Company has entered in to forward exchange contracts to hedge sales and purchase in USD. Compared with forward rate on the balance sheet date, the contracts have a positive fair value of approximately DKK -346k. Of this DKK -196k relates to future sales and purchases.

17. Contingent liabilities

Lease commitments

The company has concluded lease agreements with terms to maturity of 14-36 months with a total of DKK 519k.

The company has concluded lease obligations with a rent of DKK 295k in the non-termination period of 6 months.

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and is liable for income taxes on a pro rata basis for the jointly taxed companies.

18. Related parties

Controlling influence	Basis of influence
Fan Milk International A/S, Aalborg	Parent Company
Danone, Paris, France	Ultimative Parent Company

Balances	31.12.19 DKK
Receivables from group enterprises	132.119.218
Payables to group enterprises	-5.198.286

Receivables from group companies recognised under current assets and short-term payables to group enterprises consist of balances which are settled on an ongoing basis and in accordance with the company's standard terms of agreement and payment. No write-downs have been made on the receivables.

The company is included in the consolidated financial statements of the parent Danone, Paris, France, reg. no. 562 032 534. The consolidated financial statements of the parent company can be retrieved by contact to Danone HQ, 15, rue du Helder, 75009 Paris, France.

19. Subsequent events

No subsequent events that require amendment of the annual report has occurred after the end of the financial year.

The beginning of 2020 has however seen the Covid-19 pandemic affecting most economies around the world negatively. FMCG food companies, which Emidan A/S mainly sell its products to, are so far not affected in the same significant manner as many other companies, mainly because the products they produce and sell are for many costumers seen as a necessity. The ultimate parent of Emidan A/S, Danone SA, has in its outlook for 2020, published 26th of February, communicated -1%-p growth and -1%-p recurring operating margin vs. prior communication. Based on the fact that Emidan A/S sells to FMCG companies and its ultimate parent has communicated slightly lower performance it is the current assessment that the Covid-19 pandemic won't impact the outlook for 2020 significantly.

20. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for medium-sized enterprises in reporting class C.

The accounting policies have been applied consistently with previous years.

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). In the annual report, dots are used as thousands separator.

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.

20. Accounting policies - continued -

DERIVATIVE FINANCIAL INSTRUMENTS

On initial recognition, derivative financial instruments are measured at cost. Subsequently, they are measured at fair value and recognised under other receivables and other payables, respectively.

Fair value adjustment of derivative financial instruments classified as and meeting the criteria for hedging future cash flows (cash flow hedging) are recognised in equity. In the event that the hedged transaction results in the recognition of an asset or a liability, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be included in the cost of the asset or the liability. In the event that the hedged transaction results in the recognition of an income or an expense, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be recognised together with the hedged income or expense.

If the hedged transaction is no longer expected to occur, the cash flow hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument is transferred to other net financials in the income statement. If the hedged transaction is still expected to occur, but the criteria for cash flow hedging are no longer met, the hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument remains in equity until the transaction occurs.

Fair value adjustments of derivative financial instruments that do not meet the criteria for hedge accounting treatment are recognised under other net financials in the income statement on an ongoing basis.

LEASES

All leases are considered operating leases.

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

20. Accounting policies - continued -

INCOME STATEMENT

Gross profit

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Gross profit 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 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.

20. Accounting policies - continued -

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:

	Useful lives, years	Residual value, per cent
Software	3	0
Leasehold improvements	5	0
Other plant, fixtures and fittings, tools and equipment	3-5	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.

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.

The company is jointly taxed with Danish consolidated enterprises.

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.

20. Accounting policies - continued -

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.

BALANCE SHEET

Intangible assets

Software

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

Software 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 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 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.

20. Accounting policies - continued -

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.

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.

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 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.

20. Accounting policies - continued -

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 cash in hand.

Equity

The proposed dividend for the financial year is recognised as a separate item in equity.

Provisions

Other provisions comprise expected expenses incidental to obligations for dismandling, removing and restoring, restructuring etc. and are recognised when the company has a legal or constructive obligation at the balance sheet date and it is probable that such obligation will draw on the financial resources of the company. Provisions are measured at net realisable value or fair value if the provision is expected to be settled over the longer term.

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.

20. Accounting policies - continued -

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.

CASH FLOW STATEMENT

Referring to section 86(4) of the Danish Financial Statements Act a cash flow statement has not been prepared as the enterprise is included in the consolidated cash flow statement.