

# **Emidan A/S**

Sofiendalsvej 88A, 9200 Aalborg SV  
CVR no. 43 93 79 28

## **Annual report for 2021**

Årsrapporten er godkendt på den  
ordinære generalforsamling, d. 29.04.22

Frédéric Michel Xavier Leblan  
Dirigent

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**The company**

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

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**Executive Board**

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Rune Østerby Pedersen

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**Board of Directors**

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Frédéric Michel Xavier Leblan  
Domenico Albanese  
Olivier Marie Michel Denis Klein

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**Auditors**

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PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab

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

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We have on this day presented the annual report for the financial year 01.01.21 - 31.12.21 for Emidan A/S.

The annual report is presented in accordance with the 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 31.12.21 and of the results of the company's activities and cash flows for the financial year 01.01.21 - 31.12.21.

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, April 29, 2022

### **Executive Board**

Rune Østerby Pedersen

### **Board of Directors**

Frédéric Michel Xavier  
Leblan  
Chairman

Domenico Albanese

Olivier Marie Michel Denis  
Klein

**To the Shareholder of Emidan A/S****Opinion**

We have audited the financial statements of Emidan A/S for the financial year 01.01.21 - 31.12.21, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial statements are prepared in accordance with the 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 at 31.12.21 and of the results of the company's operations and cash flows for the financial year 01.01.21 - 31.12.21 in accordance with the the Danish Financial Statements Act (Årsregnskabsloven).

**Basis for Opinion**

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

**Statement regarding the management's review**

Management is responsible for management's review.

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

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

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

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

**Management's responsibility for the financial statements**

The Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore the Management is responsible for the internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Aalborg, April 29, 2022

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab  
CVR no. 33771231

Rasmus Møllergaard Stenskrøge

State Authorized Public Accountant  
mne34161

**FINANCIAL HIGHLIGHTS****Key figures**

Figures in DKK '000	2021	2020	2019	2018	2017
<i>Profit/loss</i>					
Gross profit	28.551	21.419	29.772	24.890	31.005
Index	92	69	96	80	100
Operating profit	15.275	13.333	14.510	12.057	19.570
Index	78	68	74	62	100
Total net financials	-12.704	-440	793	871	-144
Index	8.822	306	-551	-605	100
Profit for the year	12	10.150	11.772	10.143	15.177
Index	-	67	78	67	100
<i>Balance</i>					
Total assets	236.806	200.720	168.031	125.918	155.543
Index	152	129	108	81	100
Investments in property, plant and equipment	0	40	58	574	92
Index	-	43	63	624	100
Equity	50.518	61.015	62.602	60.818	65.884
Index	77	93	95	92	100



**Ratios**

	2021	2020	2019	2018	2017
<i>Profitability</i>					
Return on equity	0,0%	16,4%	19,1%	16,0%	23,1%
Return on assets	6,5%	5,3%	8,8%	9,6%	12,6%
<i>Equity ratio</i>					
Solvency ratio	21,3%	30,4%	37,3%	48,3%	42,4%
<i>Others</i>					
Number of employees (average)	10	13	16	18	18
<i>Ratios definitions</i>					
Return on equity:	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$				
Solvency ratio:	$\frac{\text{Equity, end of year} \times 100}{\text{Total assets}}$				
Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$				

In the key figures, dots are used as thousands separator

### **Primary activities**

The company's main activities was until end of June 2021 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 2021 was negatively affected by the announcement of the wind down of the company's activities at the end of August 2021.

The announcement has resulted in the company's profit being adversely affected by DKK 9.212k as a result of costs incurred in 2021 and provisions for the wind down and merger.

### **Development in activities and financial affairs**

The income statement for the period 01.01.21 - 31.12.21 shows a profit/loss of DKK 11.598 against DKK 10.150.028 for the period 01.01.20 - 31.12.20. The balance sheet shows equity of DKK 50.517.661.

The management considers the net profit for the year to be satisfactory.

The Company expected an unaltered activity for 2021, which is assessed to be met.

### **Outlook**

Due to the decision to wind down the company's activities the Company expects the activities in 2022 to purely concern the wind down. It is expected that the Company will be merged into Fan Milk International A/S with financial effect as of 1st of January 2022.

**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.

## Income statement

Note		2021 DKK	2020 DKK
1	<b>Gross profit</b>	<b>28.551.264</b>	<b>21.419.444</b>
1, 3	Staff costs	-13.259.482	-7.918.637
4	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-16.460	-167.812
	<b>Profit before net financials</b>	<b>15.275.322</b>	<b>13.332.995</b>
5	Financial income	143.821	1.006.407
1, 6	Financial expenses	-12.847.503	-1.446.800
	<b>Profit before tax</b>	<b>2.571.640</b>	<b>12.892.602</b>
	Tax on profit for the year	-2.560.042	-2.742.574
	<b>Profit for the year</b>	<b>11.598</b>	<b>10.150.028</b>
7	Distribution of net profit		

## Balance sheet

<b>ASSETS</b>		31.12.21	31.12.20
		DKK	DKK
Note			
	Software	29.797	39.730
8	<b>Total intangible assets</b>	<b>29.797</b>	<b>39.730</b>
	Leasehold improvements	5.646	12.174
	Other fixtures and fittings, tools and equipment	0	0
9	<b>Total property, plant and equipment</b>	<b>5.646</b>	<b>12.174</b>
10	Deposits	68.334	67.030
	<b>Total investments</b>	<b>68.334</b>	<b>67.030</b>
	<b>Total non-current assets</b>	<b>103.777</b>	<b>118.934</b>
	Manufactured goods and goods for resale	212.613	4.380.756
	<b>Total inventories</b>	<b>212.613</b>	<b>4.380.756</b>
	Trade receivables	2.310.687	435.866
	Receivables from group enterprises	224.258.109	184.370.510
11	Deferred tax asset	1.877.704	216.800
	Other receivables	5.288.053	5.954.899
12	Prepayments	832.866	2.489.894
	<b>Total receivables</b>	<b>234.567.419</b>	<b>193.467.969</b>
	<b>Cash</b>	<b>1.922.237</b>	<b>2.751.873</b>
	<b>Total current assets</b>	<b>236.702.269</b>	<b>200.600.598</b>
	<b>Total assets</b>	<b>236.806.046</b>	<b>200.719.532</b>

<b>EQUITY AND LIABILITIES</b>		31.12.21	31.12.20
		DKK	DKK
Note			
13	Share capital	5.000.000	5.000.000
	Cash flow hedging reserve	-171.142	187.941
	Retained earnings	45.677.205	45.677.205
	Proposed dividend for the financial year	11.598	10.150.028
	<b>Total equity</b>	<b>50.517.661</b>	<b>61.015.174</b>
14	Other provisions	8.511.785	937.000
	<b>Total provisions</b>	<b>8.511.785</b>	<b>937.000</b>
	Trade payables	71.082.328	23.724.731
	Payables to group enterprises	98.861.666	110.077.876
	Income taxes	4.107.278	1.815.353
	Other payables	3.725.328	3.149.398
	<b>Total short-term payables</b>	<b>177.776.600</b>	<b>138.767.358</b>
	<b>Total payables</b>	<b>177.776.600</b>	<b>138.767.358</b>
	<b>Total equity and liabilities</b>	<b>236.806.046</b>	<b>200.719.532</b>

15 Derivative financial instruments

16 Contingent liabilities

17 Related parties

18 Subsequent events

## Statement of changes in equity

Figures in DKK	Share capital	Cash flow hedging reserve	Retained earnings	Proposed dividend for the financial year	Total equity
Statement of changes in equity for 01.01.20 - 31.12.20					
Balance as at 01.01.20	5.000.000	0	45.830.579	11.771.897	62.602.476
Net effect of changed accounting policies	0	153.374	-153.374	0	0
Adjusted balance as at 01.01.20	5.000.000	153.374	45.677.205	11.771.897	62.602.476
Fair value adjustment of hedging instruments	0	44.316	0	0	44.316
Dividend paid	0	0	0	-11.771.897	-11.771.897
Tax on changes in equity	0	-9.749	0	0	-9.749
Net profit/loss for the year	0	0	0	10.150.028	10.150.028
Balance as at 31.12.20	5.000.000	187.941	45.677.205	10.150.028	61.015.174
Statement of changes in equity for 01.01.21 - 31.12.21					
Balance as at 01.01.21	5.000.000	187.941	45.677.205	10.150.028	61.015.174
Fair value adjustment of hedging instruments	0	-460.363	0	0	-460.363
Dividend paid	0	0	0	-10.150.028	-10.150.028
Tax on changes in equity	0	101.280	0	0	101.280
Net profit/loss for the year	0	0	0	11.598	11.598
Balance as at 31.12.21	5.000.000	-171.142	45.677.205	11.598	50.517.661

## Cash flow statement

Note	2021 DKK	2020 DKK
<b>Profit for the year</b>	<b>11.598</b>	<b>10.150.028</b>
19 Adjustments	15.324.501	3.366.106
Change in working capital:		
Inventories	4.168.143	3.924.836
Receivables	-51.396.069	-42.469.004
Trade payables	47.357.597	-57.803.719
Other payables relating to operating activities	-11.144.959	105.181.307
Other provisions	7.574.785	-5.112.000
<b>Cash flows from operating activities before net financials</b>	<b>11.895.596</b>	<b>17.237.554</b>
Interest income and similar income received	143.821	1.006.407
Interest expenses and similar expenses paid	-891.284	-1.446.800
Income tax paid	-1.827.741	-3.111.302
<b>Cash flows from operating activities</b>	<b>9.320.392</b>	<b>13.685.859</b>
Purchase of intangible assets	0	-39.730
Purchase of property, plant and equipment	0	-750
Sale of property, plant and equipment	0	17.797
<b>Cash flows from investing activities</b>	<b>0</b>	<b>-22.683</b>
Dividend paid	-10.150.028	-11.771.897
Arrangement of payables to credit institutions	0	-5.979.094
Repayment of other long-term payables	0	-282.189
<b>Cash flows from financing activities</b>	<b>-10.150.028</b>	<b>-18.033.180</b>
<b>Total cash flows for the year</b>	<b>-829.636</b>	<b>-4.370.004</b>
Cash, beginning of year	2.751.873	7.121.877
<b>Cash, end of year</b>	<b>1.922.237</b>	<b>2.751.873</b>
Cash, end of year, comprises:		
Cash	1.922.237	2.751.873
<b>Total</b>	<b>1.922.237</b>	<b>2.751.873</b>



## 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:	2021 DKK	2020 DKK
Write-downs on other current assets (not normal)	Financial expenses	-11.956.220	0
Costs concerning the wind down and merger of activities	Wages and salaries	-6.325.000	0
Costs concerning the wind down and merger of activities	Other external expenses / gross profit	-2.887.000	0
Total		-21.168.220	0

## 2. Exceptional conditions

The result for 2021 was negatively affected by the announcement of the wind down of the company's activities at the end of August 2021.

The announcement has resulted in the company's profit being adversely affected by DKK 9.212k as a result of costs incurred in 2021 and provisions for the wind down and merger.

	2021 DKK	2020 DKK
<b>3. Staff costs</b>		
Wages and salaries	12.718.946	7.211.406
Pensions	431.160	577.359
Other social security costs	109.376	129.872
<b>Total</b>	<b>13.259.482</b>	<b>7.918.637</b>
Average number of employees during the year	10	13

Remuneration for the management:

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

**4. Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment**

Amortisation of intangible assets	9.932	128.153
Depreciation of property, plant and equipment	6.528	39.659
<b>Total</b>	<b>16.460</b>	<b>167.812</b>

	2021	2020
	DKK	DKK

### 5. Financial income

Interest, group enterprises	118.962	527.006
Other interest income	0	1.762
Foreign currency translation adjustments	18.625	470.704
Other financial income	6.234	6.935
<b>Total</b>	<b>143.821</b>	<b>1.006.407</b>

### 6. Financial expenses

Interest, group enterprises	641.327	0
Other financial expenses total	12.206.176	1.446.800
<b>Total</b>	<b>12.847.503</b>	<b>1.446.800</b>

### 7. Distribution of net profit

Proposed dividend for the financial year	11.598	10.150.028
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**8. Intangible assets**

Figures in DKK	Software
Cost as at 01.01.21	1.649.049
Cost as at 31.12.21	1.649.049
Amortisation and impairment losses as at 01.01.21	-1.609.319
Amortisation during the year	-9.933
Amortisation and impairment losses as at 31.12.21	-1.619.252
Carrying amount as at 31.12.21	29.797

**9. Property, plant and equipment**

Figures in DKK	Leasehold improvements	Other fixtures and fittings, tools and equipment
Cost as at 01.01.21	617.976	785.878
Cost as at 31.12.21	617.976	785.878
Depreciation and impairment losses as at 01.01.21	-605.802	-785.878
Depreciation during the year	-6.528	0
Depreciation and impairment losses as at 31.12.21	-612.330	-785.878
Carrying amount as at 31.12.21	5.646	0

**10. Non-current financial assets**

Figures in DKK	Deposits
Cost as at 01.01.21	67.030
Additions during the year	1.304
Cost as at 31.12.21	68.334
Carrying amount as at 31.12.21	68.334

	31.12.21 DKK	31.12.20 DKK
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**11. Deferred tax**

Provisions for deferred tax as at 01.01.21	216.800	1.247.945
Deferred tax recognised in the income statement	1.660.904	-1.031.145
Provisions for deferred tax as at 31.12.21	1.877.704	216.800

Deferred tax is recognized in the balance sheet as:

Deferred tax asset	1.877.704	216.800
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As at 31.12.21, the company has recognised a deferred tax asset of DKK 1.878k, which can primarily be attributed to provisions for wind down of the company's activities. The deferred tax asset is recognised on the basis of expectations of positive operating results in the joint taxation group for the coming years.

**12. Prepayments**

Prepaid insurance and lease	832.866	2.489.894
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**13. Share capital**

The share capital consists of:

	Quantity	Total nominal value
Share capital	100	5.000.000

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

**14. Other provisions**

Figures in DKK	Obligations for wind downs	
Provisions as at 01.01.21		937.000
Applied during the year		-921.000
Provisions during the year		8.495.785
Provisions as at 31.12.21		8.511.785
	31.12.21	31.12.20
	DKK	DKK

Other provisions are expected to be distributed as follows:

Current liabilities	8.511.785	937.000
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**15. 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 negative fair value of approximately DKK 1.601k. Of this DKK 219k relates to future sales and purchases.

**16. Contingent liabilities***Other contingent liabilities*

The company is taxed jointly with the other Danish companies in the group and has joint, several and unlimited liability for income taxes and any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The total tax liability for the jointly taxed companies at the balance sheet date has not yet been determined. For further information, please see the financial statements of the management company Nutricia A/S.

**17. Related parties**

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

Related party transactions are not disclosed, as all transactions are entered into in the ordinary course of business at arms' length.

Remuneration for the management is specified in note 3. Staff costs.

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.

**18. Subsequent events**

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

	2021 DKK	2020 DKK
<b>19. Adjustments for the cash flow statement</b>		
Other operating income	0	-17.797
Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	16.460	167.812
Financial income	-143.821	-1.006.407
Financial expenses	12.847.503	1.446.800
Tax on profit or loss for the year	2.560.042	2.742.574
Other adjustments	44.317	33.124
<b>Total</b>	<b>15.324.501</b>	<b>3.366.106</b>



## 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 under the cash flow hedging reserve. 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****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.

**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, raw materials and consumables and other external expenses.

**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	2-4	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.

**20. 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.

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.

**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 or 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.

**20. Accounting policies** - continued -

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.

**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-method. 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.

**20. Accounting policies** - continued -**Receivables**

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

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

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

**Prepayments**

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

**Cash**

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

**Equity**

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

Unrealised gains and losses on financial instruments classified as and meeting the criteria for hedging of future cash flows (cash flow hedging) are recognised in equity under the cash flow hedging reserve. The reserve is measured less deferred tax. The reserve is dissolved when the hedged transaction occurs, or it is no longer expected to occur.

**Provisions**

Other provisions comprise expected expenses incidental to obligations for dismantling, 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.

**20. Accounting policies** - continued -**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.

**Payables**

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.



**20. Accounting policies** - continued -

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.