



Norlax A/S

Gartnervænget 31
6855 Outrup
CVR No. 10702437

Annual report 2020

The Annual General Meeting adopted the
annual report on 15.02.2021

Ole Clemensen

Chairman of the General Meeting

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Entity details

Entity

Norlax A/S

Gartnervænget 31

6855 Outrup

CVR No.: 10702437

Registered office: Varde

Financial year: 01.01.2020 - 31.12.2020

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Board of Directors

David Harrison Caslow, Chairman

Ole Clemensen

Jørn Muff

Jesper Arentoft Ahrenkiel

Eduardo Antonio Carbajosa

Franco Sebastian Adam Raffo

Executive Board

Ole Clemensen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Dokken 8

P. O. Box 200

6701 Esbjerg

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Norlax A/S for the financial year 01.01.2020 - 31.12.2020.

The annual report is presented 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 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Outrup, 15.02.2021

Executive Board

Ole Clemensen

Board of Directors

David Harrison Caslow
Chairman

Ole Clemensen

Jørn Muff

Jesper Arentoft Ahrenkiel

Eduardo Antonio Carbajosa

Franco Sebastian Adam Raffo

Independent auditor's report

To the shareholders of Norlax A/S

Opinion

We have audited the financial statements of Norlax A/S for the financial year 01.01.2020 - 31.12.2020, which comprise the income statement, balance sheet, statement of changes in equity 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 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020 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.

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 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 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 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.

Esbjerg, 15.02.2021

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Jesper Smedegaard Larsen

State Authorised Public Accountant
Identification No (MNE) mne18510

Management commentary

Financial highlights

	2020	2019	2018	2017	2016
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Gross profit/loss	73,274	73,568	67,245	74,268	68,828
Operating profit/loss	(851)	4,680	(4,652)	3,806	(2,432)
Net financials	(1,070)	(1,679)	(2,107)	(1,654)	(1,466)
Profit/loss for the year	(1,458)	2,405	(5,197)	1,738	(2,903)
Total assets	90,864	102,900	114,165	167,897	145,814
Investments in property, plant and equipment	4,975	3,755	7,807	11,540	5,097
Equity	44,587	46,186	43,512	47,066	46,972
Ratios					
Return on equity (%)	(3.21)	5.36	(11.48)	3.70	(5.99)
Equity ratio (%)	49.07	44.88	38.11	28.03	32.21

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Return on equity (%):

Profit/loss for the year * 100

Average equity

Equity ratio (%):

Equity * 100

Total assets

Primary activities

Norlax A/S is a manufacturer of smoked fish products with smoked salmon and trout as main products. The production takes place in its own factory in Outrup, while sales are made from the Outrup sales department and through sales offices in Italy to the Italian market.

Development in activities and finances

The profit for the year was a loss of 1,458 t.kr., against a profit last year of 2,405 t.kr.

The profit of the year is negatively affected by a fire at the factory in the spring of 2020 and by the COVID 19 pandemic.

The fire in the spring of 2020 affected the efficiency in the production for several months, until the final reconstruction was completed during the summer.

The COVID 19 Pandemic has had a negative impact on the profit of the year. The sudden close of the Food Service sector has affected sales over several periods. There have been significant additional costs to changes in the production in order to protect against the risk of infection among the employees, just as the costs for protective equipment have increased considerably.

Profit/loss for the year in relation to expected developments

Management regards profit for the year as less satisfactory compared to the expected development in revenue and operating profit.

Outlook

If the present business trends do not worsen considerably, 2021 will be a positive year for the company with growth in revenue and significant growth in earnings.

Particular risks

Price risks

The company's use of salmon as raw materials entails a particular risk because of the volatile market for salmon, since price increases can only be included in the price of the finished products to a limited extent immediately. It is the company's policy to partially hedge commodity risks.

Currency risks

Activities abroad result in the results, cash flows and equity being affected by exchange rate and interest rate developments for a number of currencies. It is the company's policy to partially hedge commercial currency risks. Hedging is primarily carried through forward exchange contracts to hedge expected turnover and purchases within the next 12 months.

No speculative currency positions are entered into.

Credit risks

The company's credit risks relate mainly to trade receivables. The day-to-day management has assessed each receivable and provisions for losses have been made in all necessary cases. The Company's policy of accepting credit risks means that all customers and other business partners are subject to ongoing credit assessment.

Trade above a certain maximum credit insured.

Quality conditions

In 2020 the Company is certified according to the requirements of

BRC Global Standard

Ecologically approved

Koscher approved

Global gap approved

ASC approved (aquaculture Stewardship Council)

MSC approved (Marine Stewardship Council)

The company is also QA certified for a wide range of private label customers.

Environmental performance

The company has an overall strategy for its environmental work. The company is environmentally approved by the municipal authorities, who are continuously monitoring the company. Environmental approval is renewed every 4 years.

It is not considered that the company is particularly damaging to the environment.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2020

	Notes	2020 DKK'000	2019 DKK'000
Gross profit/loss		73,274	73,568
Staff costs	1	(68,260)	(63,067)
Depreciation, amortisation and impairment losses	2	(5,865)	(5,821)
Operating profit/loss		(851)	4,680
Income from investments in group enterprises		30	78
Other financial income		6	13
Other financial expenses		(1,076)	(1,692)
Profit/loss before tax		(1,891)	3,079
Tax on profit/loss for the year	3	433	(674)
Profit/loss for the year	4	(1,458)	2,405

Balance sheet at 31.12.2020

Assets

	Notes	2020 DKK'000	2019 DKK'000
Land and buildings		19,964	21,029
Plant and machinery		18,982	19,988
Other fixtures and fittings, tools and equipment		1,419	441
Property, plant and equipment	5	40,365	41,458
Investments in group enterprises		907	877
Other financial assets	6	907	877
Fixed assets		41,272	42,335
Raw materials and consumables		6,722	16,637
Work in progress		2,343	2,290
Manufactured goods and goods for resale		19,445	19,009
Inventories		28,510	37,936
Trade receivables		15,904	18,187
Receivables from group enterprises		2,965	1,910
Deferred tax	7	464	0
Other receivables		1,546	1,940
Tax receivable		0	8
Prepayments	8	183	191
Receivables		21,062	22,236
Cash		20	393
Current assets		49,592	60,565
Assets		90,864	102,900

Equity and liabilities

	Notes	2020 DKK'000	2019 DKK'000
Contributed capital	9	7,600	7,600
Retained earnings		36,987	38,586
Equity		44,587	46,186
Deferred tax	7	0	9
Provisions		0	9
Mortgage debt		6,741	7,343
Lease liabilities		4,329	4,896
Non-current liabilities other than provisions	10	11,070	12,239
Current portion of non-current liabilities other than provisions	10	3,425	4,081
Bank loans		9,547	614
Trade payables		4,595	6,819
Payables to group enterprises		0	23,611
Other payables	11	17,640	9,341
Current liabilities other than provisions		35,207	44,466
Liabilities other than provisions		46,277	56,705
Equity and liabilities		90,864	102,900
Financial instruments	12		
Unrecognised rental and lease commitments	13		
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Statement of changes in equity for 2020

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	7,600	38,586	46,186
Other entries on equity	0	(181)	(181)
Tax of entries on equity	0	40	40
Profit/loss for the year	0	(1,458)	(1,458)
Equity end of year	7,600	36,987	44,587

Notes

1 Staff costs

	2020 DKK'000	2019 DKK'000
Wages and salaries	62,917	58,159
Pension costs	4,818	4,413
Other social security costs	525	495
	68,260	63,067
Average number of full-time employees	179	168

Information on management remuneration has been omitted with reference to Section 98 b(3)(2) of the Danish Financial Statements Act.

2 Depreciation, amortisation and impairment losses

	2020 DKK'000	2019 DKK'000
Depreciation of property, plant and equipment	5,925	5,916
Profit/loss from sale of intangible assets and property, plant and equipment	(60)	(95)
	5,865	5,821

3 Tax on profit/loss for the year

	2020 DKK'000	2019 DKK'000
Change in deferred tax	(433)	674
	(433)	674

4 Proposed distribution of profit and loss

	2020 DKK'000	2019 DKK'000
Retained earnings	(1,458)	2,405
	(1,458)	2,405

5 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000
Cost beginning of year	43,876	77,891	2,003
Additions	693	2,833	1,449
Disposals	0	(14,697)	(175)
Cost end of year	44,569	66,027	3,277
Depreciation and impairment losses beginning of year	(22,847)	(57,903)	(1,562)
Depreciation for the year	(1,758)	(3,813)	(354)
Reversal regarding disposals	0	14,671	58
Depreciation and impairment losses end of year	(24,605)	(47,045)	(1,858)
Carrying amount end of year	19,964	18,982	1,419
Recognised assets not owned by entity	0	12,297	0

6 Financial assets

	Investments in group enterprises DKK'000
Cost beginning of year	3,910
Cost end of year	3,910
Impairment losses beginning of year	(3,033)
Share of profit/loss for the year	30
Impairment losses end of year	(3,003)
Carrying amount end of year	907

Investments in subsidiaries	Registered in	Corporate form	Equity interest %
Norlax Italie S.R.L.	Italien	S.R.L	100

7 Deferred tax

	2020 DKK'000	2019 DKK'000
Property, plant and equipment	(2,510)	(2,298)
Inventories	(56)	(319)
Receivables	(40)	0
Equity	(36)	(76)
Liabilities other than provisions	180	139
Tax losses carried forward	2,926	2,545
Deferred tax	464	(9)

	2020 DKK'000	2019 DKK'000
Changes during the year		
Beginning of year	(9)	741
Recognised in the income statement	433	(674)
Recognised directly in equity	40	(76)
End of year	464	(9)

The value of tax losses carried forward is recognized as deferred tax assets in the balance sheet, as the deficit is expected to be deducted over the next approx. 3 years. This expectation is primarily based on the significant positive impact on the Company's result as a consequence of increase in quantities of salmon produced.

8 Prepayments

Prepayments comprise incurred costs relating to subsequent financial years.

9 Share capital

	Number	Nominal value DKK'000
Share of 1 kr.	7,600,000	7,600
	7,600,000	7,600

10 Non-current liabilities other than provisions

	Due within 12 months 2020 DKK'000	Due within 12 months 2019 DKK'000	Due after more than 12 months 2020 DKK'000	Outstanding after 5 years 2020 DKK'000
Mortgage debt	594	590	6,741	4,417
Lease liabilities	2,831	3,491	4,329	0
	3,425	4,081	11,070	4,417

11 Other payables

	2020	2019
	DKK'000	DKK'000
Wages and salaries, personal income taxes, social security costs, etc payable	6,167	745
Holiday pay obligation	11,274	8,399
Other costs payable	199	197
	17,640	9,341

12 Financial instruments

The Company has entered into forward exchange rate contracts of USD 344k and NOK 11,990k. Unrealised net profit at 31 December 2020 amounts to DKK 216k.

13 Unrecognised rental and lease commitments

	2020	2019
	DKK'000	DKK'000
Liabilities under rental or lease agreements until maturity in total	376	119

14 Contingent liabilities

	2020	2019
	DKK'000	DKK'000
Recourse and non-recourse guarantee commitments	960	960
Contingent liabilities	960	960

The Entity participates in a Danish joint taxation arrangement where Norlax 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.

15 Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties. The mortgage also comprises the plant and machinery deemed part of the property.

The carrying amount of mortgaged properties is DKK 19,964k and the carrying amount of mortgaged plant is DKK 6,685k

Balance with bank loans is secured by way of a deposited letter of indemnity (company charge) of DKK 50,000k nominal.

The company charge comprises operating equipment, inventories of materials, simple claims arising from sale of goods and services and goodwill.

The carrying amount of the asset comprised by the company charge amounts to DKK 52,518k.

16 Related parties with controlling interest

Norlax Holding A/S, Gartnervænget 31, 6855 Outtrup owns all shares in the Entity, thus exercising control.

17 Non-arm's length related party transactions

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

18 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Norlax Holding A/S, Gartnervænget 31, 6855 Outtrup.

Accounting policies

Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these financial statements are consistent with those applied last year.

Consolidated financial statements

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered

part of the total investment in the subsidiary in question, are classified directly as equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods, other operating income, cost of raw materials and consumables and external expenses.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Changes in inventories of finished goods and work in progress

Changes in inventories of finished goods and work in progress comprise decreases or increases for the financial year in inventories of finished goods and work in progress. This item includes ordinary writedowns of such inventories. Changes in inventories of raw materials are included in costs of raw materials and consumables.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for

premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages, and social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to #property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of #intangible assets and property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

Other financial income comprises interest income, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet**Property, plant and equipment**

Land and buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	20 years
Plant and machinery	10 years
Other fixtures and fittings, tools and equipment	3-10 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve for net revaluation according to the equity method in equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

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

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Mortgage debt

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Lease liabilities

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Operating leases

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

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Cash flow statement

The annual report does not include a cash flow statement, as this statement has been included in the consolidated cash flow statement of the parent.