Company Registration No.: 11766110
Company Name: Kronospan ApS

Kronospan ApS

Report and Financial Statements

30 September 2019

Approved on the Company's annual general meeting on 18/2 2020

Chairman:
Spiros Spyrou

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Spiros Spyrou

Jörg Lippok

Tomazs Janczak

EXECUTIVE BOARD
Henning Jensen

REGISTERED OFFICE

2 Fabriksvej
Pindstrup, 8550 Ryomgaard
Denmark

PRINCIPAL PLACE OF BUSINESS

2 Fabriksvej
Pindstrup, 8550 Ryomgaard
Denmark

BANKERS

Danske Bank A/S

AUDITORS

BDO Statsautoriseret revisionsaktieselskab

Kystvejen 29, 8000 Aarhus

Denmark

STATEMENT BY BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

The Board of Directors and the Executive Board have discussed and approved the Annual Report of Kronospan ApS for the year 1 October 2018 – 30 September 2019.

The Annual Report is presented in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion the Company's Financial Statements give a true and fair view of the Company's financial position at 30 September 2019 and of the results of the Company's operations and cash flows for the financial year 1 October 2018 – 30 September 2019.

The Management's Review includes in our opinion a fair presentation of the matters dealt within the Review.

We recommend the Annual Report be approved at the Annual General Meeting.

Pindstrup, 11 February 2020

Executive Board:

Henning Jensen
CEO

Board of Directors:

Spiros Spyrou Chairman	Jörg Lippok	Tomazs Janczak

DIRECTORS' REPORT

The Directors submit their annual report and financial statements for the year ended 30 September 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the production and sale of Particleboard ("PB"), Melamine Faced Particleboard ("MF-PB") and Tongue and Groove standard and customized boards ("T&G PB and T&G MF-PB").

REVIEW OF OPERATIONS

	2019 Euro'000	2018 Euro'000	Change %
Revenue	64,536	69,316	(6.9)
Operating profit	4,265	4,610	(7.5)
EBITDA	6,311	6,153	2.6

Revenue for the year decreased by 6.9% compared to the previous year and amounted to Euro 64.5 million (2018: Euro 69.3 million).

Operating profit decreased by 7.5% due to higher depreciation following plant modernisation, whereas EBITDA increased by 2.6% The management considers the results satisfactory.

The expectations from last year with positive profit and cash flow from operating activities are met. The EBITDA has increased as expected but the operating profit has decreasing.

INVESTMENT

	2019 Euro'000	2018 Euro'000	Change %
Total	7,798	7,311	6.7

The major investments in 2019 and 2018 include modernization of the Company's plant and machinery.

LIABILITIES

In order to fund the plant modernisation, long term debt has been increased.

DIRECTORS

The members of the Board of Directors of the Company who served during the financial year and thereafter are shown below:

Spiros Spyrou

Jörg Lippok

Tomazs Janczak

DIRECTORS' REPORT (continued)

DIVIDENDS

A final dividend for the year ended 30 September 2018 of Euro 4 million was declared based on a Shareholders' Resolution dated 13 March 2019. Two equal payments of Euro 2 million were paid on 30 June 2019 and 26 September 2019.

A final dividend for the year ended 30 September 2017 of Euro 5 million was declared based on a Shareholders' Resolution dated 20 February 2018. Two equal payments of Euro 1.5 million were paid on 27 March 2018 and 27 June and Euro 2 million were paid on 20 September 2018.

PRINCIPLE RISKS

The company's customer base covers the furniture, home/kitchen and building industry sectors in Denmark and Scandinavia region. This means that the risk to the business of a major loss in customer is widely spread. However it is important to maintain a high level of customer service and an attractive product range. Whilst we are operating in a high risk sector, strict credit control procedures are in place to mitigate any potential losses.

The demand for particleboard and valued added wood panel products in Denmark is influenced by both local (micro) and global macro-economic factors. The projections are that local and neighbouring countries' demand within the furniture, home/kitchen and building industry will remain stable in the next financial year.

The Company has established a long-term cooperation with a few large buyers which derive a major part of the sales income, primarily through sales of customised boards and this business model is expected to continue. Furthermore, management are in the process of renewing environmental permits as required by the relevant local regulations.

Management believes that current financing arrangements can be carried forward and that the Company's financial resources are properly secured for FY2018/19. Financial risks are described in detail in Note 27 "Risk Management".

RISK MANAGEMENT

Information on the Company's risk policy and a detailed description of specific risks that are monitored within the context of risk controlling are provided in the risk management note 27.

GOING CONCERN

In preparing the financial statements, the directors are 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 unless management either intends to liquidate the company or cease operations, or has no realistic alternative but to do so.

OUTLOOK

The Company expects the next 12 months to provide further opportunities to improve and will continue to:

Invest in improvements in product quality and customer service

- Ensure it makes its contribution to safe-guarding and improving the environment and workplace in which it operates
- Invest in cost reduction programmes
- Optimise existing technologies to improve efficiency
- Invest in new technologies and products to increase production capacity
- The Company's commercial potential is expected to remain unchanged. A profit and positive cash flows from operating activities are expected and management anticipates improved results in the FY2019/20.

DIRECTORS' REPORT (continued)

FINANCIAL HIGHLIGHTS

EUR´000	2018/19	2017/18	2016/17	2015/16	2014/15
Key figures					
Revenue	64.536	69.316	67.772	68.128	64.321
Ordinary operating profit/loss	4.265	4.610	4.351	3.854	732
Financial income and expenses	221	194	139	32	(415)
Profit/loss for the year	**3.508**	**3.661**	**3.560**	**3.083**	**(697)**
Non-current assets	32.332	26.690	20.890	19.857	22.260
Additions to tangible and intangible assets	7.798	7.311	3.204	539	3.096
Curent assets	13.161	13.988	15.186	15.569	18.194
Total assets	**45.493**	**40.678**	**36.076**	**35.426**	**40.454**
Share capital	12.155	12.155	12.155	12.155	13.434
Equity	**15.728**	**16.244**	**17.619**	**20.053**	**22.927**
Non-current liabilities other than provisions	12.377	2.808	2.627	2.518	2.245
Current liabilities other than provisions	17.388	21.626	15.830	12.855	15.282
Cash flows from operating activities	1.855	10.835	5.399	10.411	5.835
Net cash flows from investing activities	(8.715)	(5.158)	(2.957)	(139)	(2.601)
Portion relating to investment in property, plant, equiment and software	(9.076)	(5.413)	(3.154)	(328)	(2.699)
Cash flows from financing activities	6.777	(5.590)	(6.558)	(6.544)	(582)
Total cash flows	**(83)**	66	**(4.116)**	**3.728**	**2.652**
Financial ratios (%)					
Return on investment	14,07	17,48	12,32	11,14	1,84
Solvency ratio	34,57	39,93	48,84	56,61	56,67
Return on equity	21,94	21,62	18,90	14,35	2,33
Average number of full-time employees	**217**	**217**	**219**	**214**	**215**

Financial ratios are calculated based on the guidance "Recommendations and Financial Ratios 2015" as issued by the Danish Finance Society. For terms and definitions refer to Note 27 "Other Accounting Policies".

Financial highlights and financials ratios from FY14/15 and onwards are prepared in accordance with IFRS.

ENVIRONMENTAL ISSUES

Environmental permit was received in December 2019.

CORPORATE SOCIAL RESPONSIBILITY (CSR) AND GENDER DIVERSITY

Corporate Responsibility ("CSR") and Equal Opportunities Statements can be found in the Company's website:

https://kronospan-dk.dk/baeredygtighed

DIRECTORS' REPORT (continued)

KNOWLEDGE RESOURCES

The Company continuously strives to further develop the culture, which is based on its DANSK values (Dialogue, Ambition, Intimacy, Common Sense and Quality).

Educational courses for the management team and other individuals have systemically taken place in order to develop professional and personal competencies, leadership skills and communication.

AUDITORS

All of the current directors have taken all of the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

Approved by the Board of Directors

and signed on behalf of the Board

Executive Board:

Henning Jensen
CEO

Board of Directors:

Spiros Spyrou Chairman	Jörg Lippok	Tomasz Janczak

REPORT OF THE INDEPENDENT AUDITORS

To the shareholders of Kronospan ApS

Opinion

We have audited the Financial Statements of Kronospan ApS for the financial year 1 October 2018 - 30 September 2019, which comprise income statement, total income statement, balance sheet, statement of changes in equity, cash flow statement, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 September 2019, and of the results of the operations and cash flows for the financial year 1 October 2018 - 30 September 2019 in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed; we conclude that Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in 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.

Aarhus, 18 February 2020

BDO Statsautoriseret revisionsaktieselskab

CVR no. 20 22 26 70

Jeanette Staal

State Authorised Public Accountant

MNE no. mne18547

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 30 September 2019

	Note	2019 Euro'000	2018 Euro'000
Revenue	**3**	**64,536**	**69,316**
Other operating income	**4**	1,737	1,070
Changes in inventories of finished goods and work in progress		450	(422)
Raw materials and consumables used		(31,279)	(35,769)
Employee benefit costs	**6**	(14,782)	(14,538)
Depreciation and amortisation expense	**5,9,10,11**	(2,020)	(1,543)
Other operating expenses		(14,377)	(13,504)
Profit from operations	**5**	**4,265**	**4,610**
Finance costs	**7**	(114)	(61)
Income from financial investments		335	255
Currency translation differences		(83)	(178)
Profit before tax		**4,403**	**4,626**
Income tax expense	**8**	(895)	(965)
Profit for the year		**3,508**	**3,661**
Other comprehensive income:			
Foreign currency exchange differences		(24)	(36)
Other comprehensive income for the year, net of tax		**(24)**	**(36)**
Total comprehensive income for the year		**3,484**	**3,625**

All of the profit and other comprehensive income for the year is attributable to equity holders of the Company.

The notes on pages 15 to 37 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Note	30 September 2019 Euro'000	30 September 2019 Euro'000	30 September 2018 Euro'000	30 September 2018 Euro'000
ASSETS					
Non-current assets					
Property, plant and equipment	**9**	31,588		25,893	
Intangible assets	**10**	18		70	
Investments	**11**	726		727	
Total non-current assets			**32,332**		**26,690**
Current assets					
Inventories	**12**	6,816		5,947	
Trade and other receivables	**13**	6,314		7,555	
Prepayments		-		372	
Cash and cash equivalents	**14**	31		114	
Total current assets			**13,161**		**13,988**
TOTAL ASSETS			**45,493**		**40,678**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Equity attributable to shareholders of the Company					
Share capital	**15**	12,155		12,155	
Other reserves		(53)		(29)	
Retained earnings		3,626		4,118	
Total equity			**15,728**		**16,244**
Non-current liabilities					
Bank borrowings and other loans	**16**	-		208	
Subordinated loans or loans available for subordination	**17**	8,869		-	
Other long term financial liabilities		56		-	
Deferred tax liability	**8**	3,452		2,600	
Total non-current liabilities			**12,377**		**2,808**
Current liabilities					
Bank borrowings and other loans	**16**	7,838		5,786	
Trade and other payables	**18**	9,535		15,475	
Current tax payable		15		365	
Total current liabilities			**17,388**		**21,626**
Total liabilities			**29,765**		**24,434**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**45,493**		**40,678**

The notes on pages 15 to 37 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Year ended 30 September 2019

	Note	2019 Euro'000	2018 Euro'000
Cash flows from operating activities			
Profit for the year		3,508	3,661
Adjustment for:			
Depreciation and amortisation	**5,9,10,11**	2,020	1,543
Finance expense	**7**	114	61
Dividend income		(335)	(255)
Income tax expense / (credit)	**8**	895	965
Cash flow from operating activities before changes in working capital and provisions		**6,202**	**5,975**
Increase in inventories		(876)	(133)
Decrease in trade and other receivables and prepayments		1,604	1,374
(Decrease) / increased in trade and other payables		(4,576)	3,912
Cash generated from operations		**2,354**	**11,128**
Interest paid		(114)	(61)
Income taxes paid		(385)	(232)
Net cash from operating activities		**1,855**	**10,835**
Cash flows from investing activities			
Proceeds from sales of property, plant and equipment		26	-
Purchase of property, plant and equipment		(9,076)	(5,413)
Dividends received		335	255
Net cash used in investing activities		**(8,715)**	**(5,158)**
Cash flows from financing activities			
Proceeds from bank borrowings and other loans		11,139	(21)
Repayments of bank borrowings and other loans		(418)	(418)
Repayment of lease liabilities		-	(172)
Increase in long term liabilities		56	-
Dividends paid	**23**	(4,000)	(5,000)
Net cash from / (used in) financing activities		**6,777**	**(5,611)**
Net increase in cash and cash equivalents		**(83)**	**66**
Cash and cash equivalents at the beginning of the year		**114**	**42**
Exchange gains / (losses) on cash and cash equivalents		**-**	**6**
Cash and cash equivalents at the end of the year	**14**	**31**	**114**
Cash and cash equivalents are represented by:			
Cash in hand and at bank		**31**	**114**
		31	**114**

For notes supporting the statement of cash flows, see note 26.

The notes on pages 15 to 37 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2019

	Share capital	Foreign currency translation reserve	Retained earnings	Total attributable to equity holders of the Company
	Euro '000	Euro '000	Euro '000	Euro '000
Changes in equity for 2019				
At 1 October 2018	12,155	(29)	4,118	**16,244**
Comprehensive income for the year				
Profit for the year	-	-	3,508	**3,508**
Other comprehensive income	-	(24)	-	**(24)**
Total comprehensive income for the year	**-**	**(24)**	**3,508**	**3,484**
Dividends (note 25)	-	-	(4,000)	**(4,000)**
At 30 September 2019	**12,155**	**(53)**	**3,626**	**15,728**
Changes in equity for 2018				
At 1 October 2017	12,155	7	5,457	**17,619**
Comprehensive income for the year				
Profit for the year	-	-	3,661	**3,661**
Other comprehensive income	-	(36)	-	**(36)**
Total comprehensive income for the year	**-**	**(36)**	**3,661**	**3,625**
Dividends (note 25)	-	-	(5,000)	**(5,000)**
At 30 September 2018	**12,155**	**(29)**	**4,118**	**16,244**

The following describes the nature and purpose of each reserve within shareholders' equity:

Reserve	**Description and purpose**
Foreign currency translation reserve	Gains / losses arising on re-translating the net assets prior to adoption of the Euro as measurement currency.
Retained earnings	Profit for the year and prior years.

The notes on pages 15 to 37 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2019

1. PRINCIPAL ACTIVITIES

The principal activities of the Company are the production and sale of Particleboard (“PB”), Melamine Faced Particleboard (“MF-PB”) and Tongue and Groove standard and customized boards (“T&G PB and T&G MF-PB).

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union, including International Accounting Standards (IAS) and Interpretations issued by the International Accounting Standards Board (IASB), (collectively IFRSs) and additional disclosure requirements in accordance with Årsregnskabsloven as a result of the IFRS decree.

The Directors are of the opinion that preparation of the financial statements on the going concern basis is appropriate.

The principal accounting policies adopted for dealing with items which are considered material or critical in determining the results for the year and in stating the financial position, are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

This is the first set of the Company’s financial statements in which IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases has been applied. The related changes to significant accounting policies are described in note 27. The changed accounting policies has had an insignificant impact on the Company’s financial statements.

A complete list of other accounting policies is included in note 28.

Significant judgements and estimates

The preparation of financial statements, in conformity with Generally Accepted Accounting Principles (GAAP) under IFRS, requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management’s best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The Company evaluates its estimates on an on-going basis using historical experience and other factors, including expectations of future events that are considered reasonable under the circumstances.

- *Impairment of assets.* At each reporting date, the Company is required to assess whether there is any indication that, in management’s judgement, the carrying value of tangible or intangible assets may be not be recoverable. If any indication exists, the relevant asset’s recoverable value is estimated, being the greater of its value in use and fair value less cost to sell. Where the carrying value exceeds the recoverable value, the asset’s carrying value is reduced to the recoverable value.

  An impairment review requires management to make subjective judgements concerning the cash flows, growth rates and discount rates of the cash generating units under review.

  Movements on property, plant and equipment during the year have been included within note 9. Movements on intangible assets during the year have been included within note 10.

Management does not see any significant risk of a material adjustment to the carrying amount of assets and liabilities within the next year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue represents amounts invoiced for goods sold net of discounts, returns and value added tax. Sales revenue is recognised only when the relevant goods have been physically transferred to the customer, the customer obtains legal title to the product and the entity has a present right to payment.

Segmental reporting

As the Company has one core business activity the Directors have concluded that segmental reporting is not necessary.

Property, plant and equipment

All property, plant and equipment is initially recognised at cost. Borrowing costs that are directly attributable to the acquisition, construction or production of property, plant and equipment are capitalised as part of the cost of the property, plant and equipment.

After initial measurement all property, plant and equipment would be subject to revaluation and would be stated at valuation less subsequent depreciation. Any future revaluations of property, plant and equipment would be undertaken in a period not exceeding 3 years.

Changes in carrying amounts as a result of asset revaluations are recognised in other comprehensive income and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognised in profit or loss.

Where an asset that was previously revalued is disposed of, its book value is eliminated and an appropriate transfer made from the revaluation reserve to retained earnings.

The commissioning date of a significant asset, such as a production line, is when the machine commences to produce economic quantities. There will normally be a short period before this when test production is made and this is not considered to represent commissioning.

Depreciation of property, plant and equipment is calculated on a straight-line basis so as to reduce cost or valuation to their estimated residual value over their expected useful lives. The annual depreciation rates applicable are as follows:

Buildings	3.3%
Plant and equipment	5.0%
Vehicles and other	25.0%
Land is not depreciated	

Gains or losses on the disposal of property, plant and equipment are determined as the difference between the sale price (net of selling expenses) and the net book value of the asset at the date of disposal.

Repairs and maintenance costs are charged directly to profit and loss. Costs for significant renovation and improvement of property, plant and equipment are capitalised.

Assets under construction are recorded at the cost incurred in their purchase or manufacture including the cost of financing each project until it is commissioned.

Property, plant and equipment are assessed for impairment at each reporting date as detailed in the description of significant judgements and estimates above.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2019

3. REVENUE AND SEGMENT REPORTING

	2019 Euro'000	2018 Euro'000
Domestic market	45,376	46,189
Rest of Europe	19,160	23,127
	64,536	69,316

4. OTHER OPERATING INCOME

	2019 Euro’000	2018 Euro’000
Other operating income is made up as follows:		
Income from insurance	683	181
Sale of scrap	-	621
Waste	561	3
Other	493	265
Total operating income	1,737	1,070

5. PROFIT FROM OPERATIONS

	2019 Euro’000	2018 Euro’000
Profit from operations is arrived at after charging / (crediting) among others the following:		
Staff costs (note 6)	14,782	14,538
Depreciation and amortisation expense (notes 9, 10)	2,020	1,543
Inventories recognised as an expense/ (credit)	(450)	422
Loss on disposal of non current assets	26	-
Audit fees	37	37

6. EMPLOYEE BENEFIT COSTS

	2019 Euro’000	2018 Euro’000
Cost		
Wages and salaries	13,310	13,058
Employer’s social security	428	398
Employer’s pension costs – defined contribution plans	1,044	1,082
	14,782	14,538

	2019 Number	2018 Number
Average number of employees	**217**	**217**

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2019

6. EMPLOYEE BENEFIT COSTS (continued)

Directors' and key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including the directors of the Company.

	2019 Euro'000	2018 Euro'000
Salaries and other short-term employee benefits	428	253
Employer's social security	3	2
Employer's pension costs - defined contribution plans	34	21
	465	276

7. FINANCE INCOME AND COSTS

	2019 Euro'000	2018 Euro'000
Finance costs		
Bank borrowing	114	59
Interest on lease payable	-	2
	114	61

8. TAXATION

	2019		2018	
	Euro'000	Euro'000	Euro'000	Euro'000
Current tax expense				
Corporation tax on profits for the year	35		363	
Adjustment for under provision in prior periods	-		2	
		35		365
Deferred tax expense				
Origination and reversal of temporary differences	860		600	
		860		600
Total expense		**895**		**965**

During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the company recognises tax liabilities based on estimates of whether additional taxes and interest will be due.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2019

8. TAXATION (continued)

The charge for the period can be reconciled to the profit per the statement of profit or loss and other comprehensive income as follows:

	2019 Euro'000	2018 Euro'000
Profit before tax	**4,403**	**4,626**
Tax at the domestic income tax rate (2019: 22%; 2018: 22%)	968	1,018
Tax effect of expenses that are not deductible in determining taxable profit	(73)	(53)
Tax expense	**895**	**965**
Effective tax rate for the year	20%	21%

Deferred Tax Liability

The following are the major deferred tax liabilities recognised by the Company and movements thereon during the year.

	Accelerated tax depreciation Euro'000	Other Euro'000	Total Euro'000
At 1 October 2017	1,667	507	2,174
Charge to profit and loss	425	181	606
At 30 September 2018	2,092	688	2,780
Charge to profit and loss	702	152	854
Exchange difference	(6)	(2)	(8)
At 30 September 2019	2,788	838	3,626

Deferred Tax Assets

The following are the major deferred tax assets recognised by the Company and movements thereon during the year.

	Other Euro'000	Total Euro'000
At 1 October 2017	174	174
Credit to profit and loss	6	6
At 30 September 2018	180	180
Charge to profit and loss	(6)	(6)
At 30 September 2019	174	174

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2019

9. PROPERTY, PLANT AND EQUIPMENT

Year ended 30 September 2019

	Land and buildings Euro'000	Plant and equipment Euro'000	Vehicles and other Euro'000	Construction in progress Euro'000	Total Euro'000
Cost or valuation					
At 1 October 2018	20,653	103,223	4,624	3,553	132,053
Additions	1,075	4,749	154	1,820	7,798
Disposals	-	(9,206)	(2,277)	-	(11,483)
Transfers	-	3,553	-	(3,553)	-
Exchange difference	(27)	(427)	63	-	(391)
At 30 September 2019	21,701	101,892	2,564	1,820	127,977
Accumulated depreciation and impairment					
At 1 October 2018	16,174	86,079	3,907	-	106,160
Charge for the year	315	1,287	366	-	1,968
Disposals	-	(9,180)	(2,277)	-	(11,457)
Exchange difference	(22)	(254)	(6)	-	(282)
At 30 September 2019	16,467	77,932	1,990	-	96,389
Carrying amount					
At 30 September 2019	5,234	23,960	574	1,820	31,588

Year ended 30 September 2018

	Land and buildings Euro'000	Plant and equipment Euro'000	Vehicles and other Euro'000	Construction in progress Euro'000	Total Euro'000
Cost or valuation					
At 1 October 2017	20,692	99,549	4,252	276	124,769
Additions	-	3,541	450	3,320	7,311
Transfers	-	42	-	(42)	-
Exchange difference	(39)	91	(78)	(1)	(27)
At 30 September 2018	20,653	103,223	4,624	3,553	132,053
Accumulated depreciation and impairment					
At 1 October 2017	15,899	85,277	3,554	-	104,730
Charge for the year	305	958	227	-	1,490
Exchange difference	(30)	(156)	126	-	(60)
At 30 September 2018	16,174	86,079	3,907	-	106,160
Carrying amount					
At 30 September 2018	4,479	17,144	717	3,553	25,893

Borrowing costs capitalised in the period amounted to Euro 0.240 million (2018: Nil). The capitalisation rate used was 5%.

Bank borrowings of Euro 0.2 million (2018: Euro 0.63 million) are secured on mortgage over buildings.

As a result of the management reviews during the year ended 30 September 2019, no impairment has been made.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2019

10. INTANGIBLE ASSETS

Year ended 30 September 2019

	Software Euro'000	Total Euro'000
Cost		
At 1 October 2018	211	211
At 30 September 2019	211	211
Amortisation		
At 1 October 2018	141	141
Charge for the year	52	52
At 30 September 2019	193	193
Carrying amount		
At 30 September 2019	18	18

Year ended 30 September 2018

	Software Euro'000	Total Euro'000
Cost		
At 1 October 2017	211	211
At 30 September 2018	211	211
Amortisation		
At 1 October 2017	88	88
Charge for the year	53	53
At 30 September 2018	141	141
Carrying amount		
At 30 September 2018	70	70

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2019

11. INVESTMENTS

	Investment in Joint Venture	Total
	Euro'000	Euro'000
At 1 October 2017	728	728
Exchange difference	(1)	(1)
At 30 September 2018	727	727
Exchange difference	(1)	(1)
At 30 September 2019	726	726

The details of the joint venture are as follows:

Name	Country of Incorporation	Principal Activities	Shareholding %
Nordalim A/S	Denmark	Manufacture and sale of Urea-Melamin, Urea-Formaldehyde Resin and Chemicals	50

12. INVENTORIES

	2019	2018
	Euro'000	Euro'000
Raw materials	4,218	3,513
Finished products	2,598	2,434
	6,816	5,947

Raw material valued at Euro 4.218 million (2018: 3.513 million) include a provision of Euro 1.7 million (2018: Euro 1.7 million) and are therefore carried at fair value less costs to sell.

Finished goods valued at Euro 2.715 million (2018: 2.434 million) include a provision of Euro 0.117 million (2018: Euro 0.04 million) and are therefore carried at fair value less costs to sell.

13. TRADE AND OTHER RECEIVABLES

	2019	2018
	Euro'000	Euro'000
Trade receivables	4,621	5,932
Taxes, subsidies, social insurance	491	399
Other accounts receivable	1,202	1,224
	6,314	7,555

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2019

13. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables are further analysed as follows:

	2019 Euro'000	2018 Euro'000
Gross value	4,621	5,932
Expected credit loss provision (2018: impairment)	-	-
Net value	**4,621**	**5,932**
Analysis of trade receivables:		
Not due	4,201	3,438
Due and for which there is no expected loss provision (2018: impairment)		
- Insured	420	2,425
- Not insured	-	69
	420	2,494
- Due 0 - 90 days	420	2,494
- Due + 90 days	-	-
	420	2,494
Due and for which there is expected loss provision (2018: impairment)		
- Due 0 - 90 days	-	-
- Due + 90 days	-	-
	-	-
Total	**4,621**	**5,932**

Uninsured trade receivables that are due and not impaired represent balances with customers who have no default history.

14. CASH AND CASH EQUIVALENTS

	Cash Euro'000	Bank and other overdrafts (note 16) Euro'000	Net Euro'000
At 1 October 2017	42	(5,389)	(5,347)
Movement for the year	72	21	93
At 30 September 2018	114	(5,368)	(5,254)
Movement for the year	(83)	(2,262)	(2,345)
At 30 September 2019	31	(7,630)	(7,599)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2019

15. SHARE CAPITAL

	2019 Number	2018 Number	2019 Euro'000	2018 Euro'000
Authorised ordinary shares of DKK 1 each	90,457	90,457	12,155	12,155
Issued ordinary shares of DKK 1 each	90,457	90,457	12,155	12,155

There are no restrictions attaching to the ordinary shares.

16. BANK BORROWINGS AND OTHER LOANS

	2019 Euro'000	2018 Euro'000
Bank borrowings and other loans including overdrafts	7,838	5,994
Less: Instalments due after more than one year	-	(208)
Bank borrowings and other loans including overdrafts due within one year	7,838	5,786

Repayments of bank borrowings and other loans including overdrafts due after more than one year are analysed as follows:

	2019 Euro'000	2018 Euro'000
Instalments due after 1 year but not more than 2 years	-	208
Instalments due after 2 years but not more than 5 years	-	-
Instalments due after 5 years	-	-
	-	208

Bank borrowings and other loans including overdrafts due within one year are analysed as follows:

	2019 Euro'000	2018 Euro'000
Current portion of long term loans	208	418
Current portion of bank and other overdrafts	7,630	5,368
	7,838	5,786

The carrying amount of short and long term borrowings approximate their fair value.

	2019 Euro'000	2018 Euro'000
Bank borrowings and other loans	208	626
Bank and other overdrafts (note 14)	7,630	5,368

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2019

16. BANK BORROWINGS AND OTHER LOANS (continued)

The weighted average interest rates paid were as follows:

	2019 %	2018 %
Bank borrowings and other loans	1.9	1.9
Bank and other overdrafts	1.5	1.4

Long term bank borrowings and bank overdrafts are secured by a joint security over Buildings for a total of DKK 52.25 million (Euro 7.013 million). Any remaining uncovered bank overdraft balance is secured at all times by inventory and trade receivables. Bank and other overdraft facilities are subject to renewal on 28 February 2020.

At 30 September 2019, the Company had available Euro 6.725 million (2018: Euro 4.99 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

17. SUBORDINATED LOANS OR LOANS AVAILABLE FOR SUBORDINATION

	2019 Euro'000	2018 Euro'000
Total loans	8,869	-
Less: Instalments due after more than one year	-	-
Loans due within one year	8,869	-

Repayment of loans are analysed as follows:

	2019 Euro'000	2018 Euro'000
Due within 1 year	-	-
Instalments due after 1 year but not more than 2 years	1,601	-
Instalments due after 2 years but not more than 5 years	3,819	-
Instalments due after 5 years	3,449	-
	8,869	-

The weighted average interest rates paid were as follows:

	2019 %	2018 %
Total loans	5.0	-

The above loans are unsecured

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2019

18. TRADE AND OTHER PAYABLES

	2019 Euro'000	2018 Euro'000
Trade payables	4,242	4,108
Investment payables	670	2,024
Amounts due to related parties (note 20)	1,553	4,284
Other payables and accruals (incl. Investment payables)	3,070	5,059
	9,535	15,475

Trade and other payables principally comprise amounts outstanding for trade purchases and on-going costs.

The directors consider that the carrying amount of trade payables approximates to their fair value.

19. ENVIRONMENTAL POLICY

The Company's environmental policy is to be constantly aware of the environment and to ensure it makes its contribution to safe-guarding and improving the environment and workplace in which it operates.

All investment projects comprise latest technology plant, taking into account up to date environmental standards and regulations applicable in the EU and the country of operation.

It is Company policy not to account for any assets in relation to emission rights certificates held. The Company recognises the value of any surplus emission certificates only upon disposal.

20. RELATED PARTY TRANSACTIONS

The Company is controlled by Kronospan Baltic Holding Ltd incorporated in Cyprus which owns 100% of the Company's shares. The ultimate controlling party of the Company is Betuva Stiftung a discretionary, irrevocable foundation registered in Liechtenstein, which itself owns all the assets and is controlled by the foundation board.

The following transactions were carried out with related parties:

Sales of goods and services

	Sale of goods		Sale of services		Amounts owed by related parties	
	2019 Euro'000	2018 Euro'000	2019 Euro'000	2018 Euro'000	2019 Euro'000	2018 Euro'000
Other related parties	843	843	-	131	-	-
	843	843	-	131	-	-

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2019

20. RELATED PARTY TRANSACTIONS (Continued)

Purchase of goods and services

	Purchase of goods (incl. fixed assets)		Purchase of services		Amounts owed to related parties	
	2019 Euro'000	2018 Euro'000	2019 Euro'000	2018 Euro'000	2019 Euro'000	2018 Euro'000
Fellow subsidiaries	-	275	-	-	-	-
Other related parties	17,006	11,793	693	200	1,553	4,284
	17,006	12,068	693	200	1,553	4,284

Sales and purchases of goods and services are made with related parties on an arm's length basis in the normal course of business.

Other related parties represent entities which are under common control of the ultimate controlling party of the Company.

21. CONTINGENT LIABILITIES

The Company has extended jointly with its Joint Venture Partner an indefinite guarantee for Euro 1.15 million each to a large supplier in relation to purchases carried out by their Joint venture company Nordalim A/S as part of its operating activity.

A payment guarantee has been issued to Naturstyrelsen for future purchase of wood in the forest.

22 CAPITAL COMMITMENTS

As at 30 September 2019, the Company had a Euro 1 million contractual obligation in relation to assets under construction (2018: Nil).

23. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

24. CONSOLIDATED FINANCIAL STATEMENTS

The Company is included in the consolidated financial statements of Kronospan Baltic Holdings Ltd, the parent company at Grayoak House, 9 Tagmatarchou Pouliou Street, 1101 Ayios Andreas, Nicosia, Cyprus with Company registration no. HE162412.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2019

25. DIVIDENDS

	2019 Euro'000	2018 Euro'000
Final dividend declared	4,000	5,000
	4,000	5,000

A final dividend for the year ended 30 September 2018 of Euro 4 million was declared based on a Shareholders' Resolution dated 13 March 2019. Two equal payments of Euro 2 million were paid on 30 June 2019 and 26 September 2019.

A final dividend for the year ended 30 September 2017 of Euro 5 million was declared based on a Shareholders' Resolution dated 20 February 2018. Two equal payments of Euro 1.5 million were paid on 27 March 2018 and 27 June and Euro 2 million were paid on 20 September 2018.

26. NOTE SUPPORTING THE STATEMENT OF CASH FLOWS

	Bank borrowings and other loans (note 16) Euro'000	Subordinated loans or loans available for subordination Euro'000	Total Euro'000
At 1 October 2017	(6,434)	-	(6,434)
Net cash flows	440	-	440
At 30 September 2018	(5,994)	-	(5,994)
Net cash flows	1,852	8,869	10,721
At 30 September 2019	(4,142)	8,869	4,727

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2019

27. RISK MANAGEMENT

General objectives, policies and processes

The Company operates procedures designed to reduce or eliminate financial risk and ensure that funds are available for current and future needs. The policies are approved by the Board and the use of financial instruments is strictly controlled.

Principal financial instruments

A summary of the financial instruments held by category is provided below:

Financial assets

	Financial assets measured at amortised cost	
	2019 Euro'000	**2018 Euro'000**
Trade, related party and other receivables *(excl. prepayments, VAT, corporate and other taxes, social security)*	5,823	6,985
Cash and cash equivalents	31	114
Total financial assets	**5,854**	**7,099**

Financial liabilities

	Financial liabilities at amortised cost	
	2019 Euro'000	**2018 Euro'000**
Loans and borrowings (including overdrafts)	16,707	5,994
Trade, related party, investment and other payables *(excl. prepayments, dividend payable, VAT, corporate and other taxes, social security, provisions)*	9,535	15,198
Other long term liabilities	56	-
Total financial liabilities	**26,298**	**21,192**

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2019

27. RISK MANAGEMENT

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales. The major part of trade receivables (97%) is covered by credit insurance. Where credit insurance is not available, or is restricted, Company policies provide the basis for establishing a credit limit for each customer. Customers may also purchase on a pre-payment basis or a bank guarantee will be issued from the bank of the customer.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with acceptable ratings are authorised.

Credit risk

The Company does not enter into derivatives to manage credit risk.

Quantitative disclosures of the credit risk exposure in relation to financial assets are set out below. These also include certain other liquid non-financial assets with potential credit risk. Further disclosures regarding trade and other receivables, which are neither past due nor impaired, are provided in note 13.

	Carrying value		**Maximum exposure**	
	2019 Euro’000	**2018 Euro’000**	**2019 Euro’000**	**2018 Euro’000**
Trade and other receivables	6,314	7,555	6,314	7,555
Prepayments *(suppliers)*	-	372	-	372
Cash and cash equivalents	31	114	31	114
	6,345	8,041	6,345	8,041

Market risk

(i) *Interest rate risk*

As a result of the relevant portion of floating rate borrowings the Company is exposed to interest rate risk, in particular the risk of variation in national currency and Euro interest rates. Whilst the Company takes steps to minimise its exposure to cash flow interest rate risk, changes in interest rates will have an impact on profit. Management continually monitor interest rate movements to assess the impact that this will have upon interest costs. The annualised effect of a 1% increase in the interest rate at the statement of financial position date on variable rate debt carried at that date would, all other variables being held constant, have resulted in a decrease of the Company’s pre-tax profit for the year of Euro 0.078 million (2018: Euro 0.058 million). A 1% decrease in the interest rate would, on the same basis, have increased pre-tax profits by the same amount.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2019

27. RISK MANAGEMENT (continued)

Market risk (continued)

(ii) *Currency risk*

The Company is exposed to foreign exchange risk as a result of fluctuations between the national currency and the Euro. Where possible, income streams in one currency are used to meet payment obligations in the same currency. Group policy allows forward purchase for trade related payable items which are due for payment during the next month.

The following table details the Company's sensitivity to a 5% increase or decrease in the Euro against the relevant local currency which represents management's assessment of the reasonably possible change in foreign exchange rates.

	Impact of DKK	
	2019	**2018**
	Euro'000	**Euro'000**
1. Denominated in Foreign currency		
Monetary financial assets	5,827	6,376
Monetary financial liabilities	(14,232)	(16,705)
Net liabilities	**(8,405)**	**(10,329)**
Impact on results	**Gain / (loss)**	
5% DKK appreciation (Euro depreciation)	(420)	(516)
5% DKK depreciation (Euro appreciation)	420	516
2. Denominated in Euro		
Monetary financial assets	27	723
Monetary financial liabilities	(12,066)	(4,487)
Net liabilities	**(12,039)**	**(3,764)**

Liquidity risk

Company liquidity risk management aims to ensure that the Company is able to timely obtain the financing required to properly carry on its business activities, implement its strategy, and meet its payment obligations when due, while avoiding the need of having to obtain funding under unfavourable terms.

For this purpose, liquidity management at the Company comprises:

- consistent financial planning and cash flow forecasting at company levels with different time horizons (monthly, annual and three-year business plans);
- diversification of financing sources;
- diversification of the maturities of the debt issued in order to avoid excessive concentration of debt repayments in short periods of time;
- arrangement of committed credit facilities with relationship banks, ensuring the right balance between satisfactory liquidity and adequate commitment fees.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2019

27. RISK MANAGEMENT (continued)

Maturity of financial liabilities

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

At 30 September 2019	On demand	Less than 12 months	1 - 5 years	> 5 years	Total
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Bank and other overdrafts	7,630	-	-	-	7,630
Bank borrowings and other loans	-	209	-	-	209
Subordinated loans or loans available for subordination	-	458	6,770	3,899	11,127
Trade, related party, investment and other payables (excl. prepayments, dividend payable, VAT, corporate and other taxes, social security, provisions)	-	9,535	-	-	9,535
	7,630	10,202	6,770	3,899	28,501

At 30 September 2018	On demand	Less than 12 months	1 - 5 years	> 5 years	Total
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Bank and other overdrafts	5,368	-	-	-	5,368
Bank borrowings and other loans	-	425	209	-	634
Subordinated loans or loans available for subordination	-	-	-	-	-
Trade, related party, investment and other payables (excl. prepayments, dividend payable,VAT, corporate and other taxes, social security, provisions)	-	15,198	-	-	15,198
	5,368	15,623	209	-	21,200

Bank borrowings and other loans include interest calculated at the rate applicable at 30 September.

27. RISK MANAGEMENT (continued)

Capital disclosures

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Company consists of debt (including finance lease liabilities, less cash and cash equivalents) and equity (including subordinated loans or loans available for subordination).

The Company's strategy is to maintain the debt-to-adjusted capital ratio at below 1:1:

	2019 Euro'000	2018 Euro'000
Bank borrowings and other loans	7,838	5,994
Less cash and cash equivalents	(31)	(114)
Net debt	**7,807**	**5,880**
Total equity	15,728	16,244
Plus subordinated loans or loans available for subordination	8,869	-
Adjusted capital	**24,597**	**16,244**
Debt to adjusted capital ratio	**0.32**	**0.36**

28. OTHER ACCOUNTING POLICIES

Changes in accounting policies

(i) New standards, amendments to published standards and interpretations to existing standards effective in the current financial year adopted by the Company.

The Company has adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers with a transition date of 1 October 2018. The natures of the changes are:

- IFRS 9 has replaced IAS 39. According to the new standard, the Company now classifies financial assets in accordance with its business model for managing financial assets and the contractual cash flow characteristics of the financial asset. The Company holds all its financial assets to collect the cash flows and those cash flows are solely payments of principal and interest, if any. Such financial assets shall be measured at amortised cost, which is in accordance with the measurement basis in accordance with IAS 39.

  The classification principles for financial liabilities in IFRS 9 are in all material respect the same as in IAS 39, and the Company continues to measure all its financial liabilities at amortised cost.

  Before transition to IFRS 9, the Company applied the incurred loss model in IAS 39 for impairment of financial assets. The new accounting policy is to recognise a loss allowance for expected credit losses. The Company applies the simplified approach to all its trade receivables, whereby the loss allowance is measured at an amount equal to lifetime expected credit losses. The impact of the change is not material.

- The principles for hedge accounting have been changed, but has at present no relevance to the Company, why the accounting policy for hedge accounting is not disclosed.IFRS 15 has replaced IAS 18 Revenue (IAS 18) and IAS 11 Construction Contracts as well as various Interpretations previously issued by the IFRS Interpretations Committee. IFRS 15 introduced a five-step model for recognising revenue, whereby revenue is recognised when or as the Company satisfies its performance obligations towards the customers. For almost the Company's entire revenue this takes place at the point in time, when the goods have been physically transferred to the customer, the customer obtains legal title to the product and the entity has a present right to payment. IFRS 15 includes a number of other changes, which for the Company mainly is relevant to the provisions for returns, discounts and bonuses and disclosures. None of the changes has had a material impact.

  In accordance with the transitional provisions, the comparative figures have not been restated

28. OTHER ACCOUNTING POLICIES (continued)

(ii) Standards, amendments and interpretations to published standards not yet effective

A number of new standards and amendments to standards and interpretations including IFRS 16 Leases are effective for annual periods beginning after 1 January 2019. Although the Company does not have to comply with IFRS 16 until financial year commencing 1 October 2019, it has chosen early adoption of the standard for clarity and comparability of performance going forward.

According to IFRS 16, the Company recognises as right-of-use assets and lease liabilities all lease contracts, but low value leases and short-term leases. The Company has applied the modified retrospective transition approach in IFRS 16. The change has had an insignificant impact on the Company's financial statements.

No other standards, amendments or interpretations are being adopted early, of which the principals are:

- IFRIC 23 Uncertainty over Income Tax Treatments
- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- Revised Conceptual Framework for Financial Reporting

The Company does not expect any material impact of the forthcoming change**s.**

Intangibles

Intangible assets are shown at cost and are amortised on a straight-line basis method over their estimated useful life Intangibles are subject to impairment reviews whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Where the carrying value is more than the recoverable value, the asset's carrying value is reduced to the recoverable value. The annual amortisation rates applicable are as follows:

Software	25%

Investments in joint ventures

The Company´s share in joint venture is stated at cost less provision for impairment in value, which is recognized as an expense in the period in which the impairment is identified.

Taxation

Corporation tax is provided on the taxable profit for the year at the applicable tax rate.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs to its tax base, except for differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and the timing of the transaction affects neither accounting or taxable profits.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised. A deferred tax asset is recognised for tax exemptions and tax credits to the extent that the future tax savings can be reasonably estimated.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the statement of financial position date and expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2019

28. OTHER ACCOUNTING POLICIES (continued)

Foreign currency transactions

The books and records of the Company are maintained in Danish Krone to comply with local legal requirements. However, for the purpose of IFRS reporting, the Euro was treated as the reporting currency. Consequently, the following translation was done:

i) Statement of profit or loss and other comprehensive income items were translated into Euro at the average monthly exchange rate for the year.
ii) All assets and liabilities were translated into Euro at the exchange rate prevailing on the statement of financial position date.

All foreign exchange gains or losses resulting from the above translation were credited or debited to the translation reserve within equity in accordance with IAS 21.

Inventories

Inventories are valued at the lower of cost and net realisable value. Materials are valued at cost which consists of purchase price, freight inwards, and customs duties and are decreased by discounts received. The value of materials used and trading goods dispatched is calculated on a weighted average cost basis.

Finished goods produced are valued at the average cost of materials and direct labour plus depreciation of plant and equipment used in production based on the normal level of activity of the Company and a share of production overheads. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and sale. Trading goods are valued at purchase price. Provisions are also made for slow moving and obsolete finished goods and spare parts.

Employee benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

The Company makes provisions for bonuses where contractual obligations exist for payment.

Research and development

The Company does not undertake any research and development on its own behalf, but licences appropriate technology when required. The annual licence fees are charged to other operating expenses in the statement of profit or loss and other comprehensive income while lump sum payments for new technologies acquired are amortised over their expected useful life.

Dividends

Interim dividends are recognised in equity in the year in which they are paid. Final dividends are recognised in equity in the year in which they are declared. Dividend income is recognised when the right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2019

28. OTHER ACCOUNTING POLICIES (continued)

Financial assets

The Company carries its financial assets at amortised cost in accordance with its business model:

Financial assets arise principally from the provision of goods and services to customers (trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus directly attributable transaction costs, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within other operating expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision. The Company has credit insured most of the trade receivables and has a strict credit policy, why low probabilities of loss are generally applied.

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

Financial liabilities

The Company's financial liabilities comprise bank loans, overdrafts, trade payables and other, mainly short term, liabilities. Bank loans and overdrafts are initially recognised at fair value, net of any transaction costs. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding. Trade payables and other short term liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

The Company has no financial assets, financial liabilities or derivative financial instruments carried at fair value.

Net finance costs

Interest and other costs on borrowings to finance construction or production of qualifying assets are capitalised, during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed in the year to which they relate.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2019

28. OTHER ACCOUNTING POLICIES (continued)

Explanation of financial Ratios

Return on investment $= \frac{\text{Ordinary operating profit x 100}}{\text{Average invested capital}}$

Solvency ratio $= \frac{\text{Equity at year end x 100}}{\text{Total assets}}$

Return on equity $= \frac{\text{Profit for the year x 100}}{\text{Average Equity}}$

Non-GAAP financial measures

In evaluation of our business, we utilise certain non-GAAP financial measures, specifically EBITDA.

EBITDA refers to Earnings Before Interest, Tax, Depreciation, Amortisation and Impairment, Currency translation differences and Deferred grants credited, where Earnings relates to net profit before items considered by management to be outside the ordinary course of business.

	2019 **Euro'000**	**2018** **Euro'000**
Profit from operations	4,265	4,610
Depreciation and Amortisation	2,020	1,543
Loss on disposal of non current assets	26	-
EBITDA	**6,311**	**6,153**