

Orifarm Supply A/S

Energivej 15
5260 Odense S
CVR No. 17153684

Annual report 2022

The Annual General Meeting adopted the
annual report on 05.06.2023

Matias Nørtoft Popp

Chairman of the General Meeting

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Entity details

Entity

Orifarm Supply A/S

Energivej 15

5260 Odense S

Business Registration No.: 17153684

Registered office: Odense

Financial year: 01.01.2022 - 31.12.2022

Board of Directors

Ole Michael Friis

Hans Bøgh-Sørensen

Birgitte Bøgh-Sørensen

Executive Board

Erik Sandberg

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Orifarm Supply A/S for the financial year 01.01.2022 - 31.12.2022.

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 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022.

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.

Odense, 05.06.2023

Executive Board

Erik Sandberg

Board of Directors

Ole Michael Friis

Hans Bøgh-Sørensen

Birgitte Bøgh-Sørensen

Independent auditor's report

To the shareholder of Orifarm Supply A/S

Opinion

We have audited the financial statements of Orifarm Supply A/S for the financial year 01.01.2022 - 31.12.2022, 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 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022 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 for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Copenhagen, 05.06.2023

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Nikolaj Thomsen

State Authorised Public Accountant
Identification No (MNE) mne33276

Jens Serup

State Authorised Public Accountant
Identification No (MNE) mne45825

Management commentary

Financial highlights

	2022	2021	2020	2019	2018
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Revenue	8,222,801	8,027,258	7,025,289	6,301,721	5,377,580
Gross profit/loss	349,861	342,477	301,666	282,033	238,279
Operating profit/loss	234,616	228,477	233,082	216,033	177,209
Net financials	(36,748)	(5,919)	(4,258)	(15,317)	(19,040)
Profit/loss for the year	154,158	173,585	173,454	164,376	125,988
Total assets	2,709,702	1,306,292	1,340,868	1,199,454	1,028,183
Inventories	1,235,432	1,082,484	1,116,699	1,006,381	751,435
Investments in property, plant and equipment	320	1,663	3,897	2,181	458
Equity	691,113	711,955	546,723	502,565	428,101
Ratios					
Gross margin (%)	4.25	4.27	4.29	4.48	4.43
Net margin (%)	1.87	2.16	2.47	2.61	2.34
Return on equity (%)	21.97	27.58	33.06	35.32	33.04
Equity ratio (%)	25.51	54.50	40.77	41.90	41.64

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

Gross margin (%):

$\frac{\text{Gross profit/loss}}{\text{Revenue}} * 100$

Revenue

Net margin (%):

$\frac{\text{Profit/loss for the year}}{\text{Revenue}} * 100$

Revenue

Return on equity (%):

$\frac{\text{Profit/loss for the year}}{\text{Average equity}} * 100$

Average equity

Equity ratio (%):

$\frac{\text{Equity}}{\text{Total assets}} * 100$

Total assets

Primary activities

Orifarm Supply A/S is part of Orifarm Group which is a dynamic international player in the healthcare business.

Orifarm Supply A/S deals with import, repackaging and sale of pharmaceuticals. Pharmaceuticals are bought in EU/EEA members with low prices and then re-packed, imported and sold in other EU/EEA markets with higher prices. Orifarm Health Access is also active in Clinical Trials Supply and sales of Unlicensed pharmaceuticals.

Development in activities and finances

Orifarm Supply A/S's revenue amounted to mDKK 8,223 (2021: mDKK 8,027), which primarily consists of sale to group companies.

Orifarm Supply A/S' gross margin remained at 4.2% and operating profit increased by mDKK 6 to mDKK 235.

The results have been achieved despite sourcing/supply constraints, inflation and increased price competition throughout 2022.

Profit/loss for the year in relation to expected developments

The Company's results for 2022 are considered satisfactory and in line with expectations as set out in the financial statements for 2021.

Outlook

For 2023, Orifarm Supply A/S expects a revenue and operating income in line with 2022 level. No consequences from the conflict in Ukraine have been incorporated into these expectations.

Risk

Operating conditions

To a significant extent, consolidated earnings depend on legislative measures that affect the pricing of pharmaceuticals in both the purchase and the sales countries. Earnings are also affected by measures in the sales countries which are intended to limit the consumption of pharmaceuticals.

For the business area Orifarm Health Access, it is Orifarm Group's policy to avoid infringing trademark rights, and Orifarm Group is not currently involved in any major pending litigation of this kind.

Financial matters

Orifarm Supply A/S is exposed to fluctuations in foreign exchange rates and interest rate levels. These risks are mitigated in accordance with the Group's policy. Exchange rate risks are primarily related to the currencies SEK, NOK, CZK, and GBP.

Orifarm Supply A/S' financial risks, including its cash management and extension of credits, are managed at a corporate level to ensure a balanced risk profile.

Knowledge resources

At the end of 2022, 138 (2021: 127) employees were primarily engaged in sales & marketing, quality, procurement, portfolio management, facility & service and warehousing.

Environmental performance

Orifarm Supply A/S is a part of the Orifarm Group. Reference is made to group reporting on CSR, which can be found at www.orifarm.com/reports.

Statutory report on corporate social responsibility

Orifarm Supply A/S is a part of Orifarm Group. Reference is made to group reporting on CSR, which can be found at www.orifarm.com/reports.

Statutory report on the underrepresented gender

Throughout many years, the Company has focused on diversity among the employees and in management, including an equal distribution between men and women. The Company believes that this ensures a good working environment and helps sharpen the Company's competitiveness.

With 3 board members, the current distribution between the genders of 1/3 is considered to be an equal distribution. On this basis, no further target figures for the Board are reported.

To ensure diversity among other management levels, the Group has set up a policy to increase the proportion of the underrepresented gender in the rest of management. The policy can be found at www.orifarm.com/reports.

Statutory report on data ethics policy

Orifarm Supply A/S is a part of Orifarm Group. Orifarm Group has decided to publish its policy on data ethics through our CSR reporting. Reference is made to the Annual Report of Orifarm Group.

Events after the balance sheet date

From the reporting date until today, no events have occurred which could change the assessments made in the Annual Report. At the current stage in time, the conflict in Ukraine is not expected to have any significant effect on the results.

Income statement for 2022

	Notes	2022 DKK'000	2021 DKK '000
Revenue	1	8,222,801	8,027,258
Other operating income		0	35
Cost of sales		(7,822,791)	(7,646,965)
Other external expenses		(50,149)	(37,851)
Gross profit/loss		349,861	342,477
Staff costs	2	(108,135)	(110,199)
Depreciation, amortisation and impairment losses	3	(7,110)	(3,801)
Operating profit/loss		234,616	228,477
Other financial income	4	54,106	31,708
Other financial expenses	5	(90,854)	(37,627)
Profit/loss before tax		197,868	222,558
Tax on profit/loss for the year	6	(43,710)	(48,973)
Profit/loss for the year	7	154,158	173,585

Balance sheet at 31.12.2022

Assets

	Notes	2022 DKK'000	2021 DKK'000
Acquired intangible assets		192	217
Goodwill		158,220	44,077
Intangible assets	8	158,412	44,294
Other fixtures and fittings, tools and equipment		5,440	5,406
Property, plant and equipment	9	5,440	5,406
Other investments		0	0
Financial assets	10	0	0
Fixed assets		163,852	49,700
Raw materials and consumables		910,752	892,875
Manufactured goods and goods for resale		307,027	183,128
Prepayments for goods		17,653	6,483
Inventories		1,235,432	1,082,486
Trade receivables		56,400	11,320
Receivables from group enterprises		1,248,712	152,529
Other receivables		4,974	3,774
Prepayments	11	332	6,483
Receivables		1,310,418	174,106
Current assets		2,545,850	1,256,592
Assets		2,709,702	1,306,292

Equity and liabilities

	Notes	2022 DKK'000	2021 DKK'000
Contributed capital	12	10,000	10,000
Retained earnings		681,113	526,955
Proposed dividend		0	175,000
Equity		691,113	711,955
Deferred tax	13	12,402	9,891
Provisions		12,402	9,891
Bank loans		0	27,012
Trade payables		246,481	194,281
Payables to group enterprises		1,629,597	247,157
Tax payable		30,096	27,416
Other payables		100,013	88,580
Current liabilities other than provisions		2,006,187	584,446
Liabilities other than provisions		2,006,187	584,446
Equity and liabilities		2,709,702	1,306,292
Unrecognised rental and lease commitments	14		
Contingent liabilities	15		
Assets charged and collateral	16		
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Statement of changes in equity for 2022

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	10,000	526,955	175,000	711,955
Ordinary dividend paid	0	0	(175,000)	(175,000)
Profit/loss for the year	0	154,158	0	154,158
Equity end of year	10,000	681,113	0	691,113

Notes

1 Revenue

Orifarm Supply A/S is importing and selling parallel imported pharmaceuticals. As such the Entity only has one segment.

No geographical segment information is disclosed. The information has been omitted, as the information may give rise significant damage to the company, cf. Section 96 (1) of the Danish Financial Statements Act.

2 Staff costs

	2022	2021
	DKK'000	DKK'000
Wages and salaries	92,731	96,669
Pension costs	12,689	11,657
Other staff costs	2,715	1,873
	108,135	110,199
Average number of full-time employees	138	127

Staff costs for 2022 is increased by mDKK 32.6 and average number of full-time employees by 40 employees due to Orifarm Supply A/S receiving shared services from Group entites.

The Board of Directors does not receive remuneration. Pursuant to Section 98b(iii) of the Danish Financial Statements Act, remuneration to the members of the Executive Board is not disclosed.

3 Depreciation, amortisation and impairment losses

	2022	2021
	DKK'000	DKK'000
Amortisation of intangible assets	6,824	3,438
Depreciation of property, plant and equipment	286	363
	7,110	3,801

4 Other financial income

	2022	2021
	DKK'000	DKK'000
Financial income from group enterprises	18,975	7,273
Other interest income	0	5
Exchange rate adjustments	35,131	24,430
	54,106	31,708

5 Other financial expenses

	2022 DKK'000	2021 DKK'000
Financial expenses from group enterprises	43,093	13,281
Other interest expenses	233	742
Exchange rate adjustments	47,528	23,604
	90,854	37,627

6 Tax on profit/loss for the year

	2022 DKK'000	2021 DKK'000
Current tax	41,178	47,416
Change in deferred tax	2,512	1,564
Adjustment concerning previous years	20	(7)
	43,710	48,973

7 Proposed distribution of profit and loss

	2022 DKK'000	2021 DKK'000
Ordinary dividend for the financial year	0	175,000
Retained earnings	154,158	(1,415)
	154,158	173,585

8 Intangible assets

	Acquired intangible assets DKK'000	Goodwill DKK'000
Cost beginning of year	788	65,300
Additions	222	120,720
Cost end of year	1,010	186,020
Amortisation and impairment losses beginning of year	(571)	(21,223)
Amortisation for the year	(247)	(6,577)
Amortisation and impairment losses end of year	(818)	(27,800)
Carrying amount end of year	192	158,220

9 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK'000
Cost beginning of year	13,296
Additions	320
Cost end of year	13,616
Depreciation and impairment losses beginning of year	(7,890)
Depreciation for the year	(286)
Depreciation and impairment losses end of year	(8,176)
Carrying amount end of year	5,440

10 Financial assets

	Other investments DKK'000
Cost beginning of year	25
Cost end of year	25
Impairment losses beginning of year	(25)
Impairment losses end of year	(25)
Carrying amount end of year	0

Other investments comprises of a 5 % share in Orifarm Supply s.r.o. registered in the Czech Republic.

11 Prepayments

Prepayments consist of expenses paid in advance.

12 Share capital

	Number	Par value DKK'000	Nominal value DKK'000
Shares	10,000	1	10,000
	10,000		10,000

The shares is not divided into share classes. There has not been changes in contributed capital in the past five financial years.

13 Deferred tax

	2022 DKK'000	2021 DKK'000
Intangible assets	12,041	9,697
Property, plant and equipment	361	194
Deferred tax	12,402	9,891

	2022 DKK'000	2021 DKK'000
Changes during the year		
Beginning of year	9,891	7,863
Recognised in the income statement	2,511	1,564
Recognised directly in equity	0	464
End of year	12,402	9,891

14 Unrecognised rental and lease commitments

	2022 DKK'000	2021 DKK'000
Liabilities under rental or lease agreements until maturity in total	958	326

15 Contingent liabilities

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

The Entity is party to litigations regarding alleged infringement of trademark rights. Management believes that these legal proceedings will not lead to material losses.

16 Assets charged and collateral

The Entity has provided guarantees under which the guarantors assume joint and several liability for Group enterprises' net debt with bank and credit institution. The Group's total net debt in relation to this guarantee is booked at MDKK 4,831 at 31.12.2022.

The Entity has pledged inventories of MDKK 186 as security for debt to the Group's bank and credit institutions.

17 Related parties with controlling interest

Related parties with controlling interest in Orifarm Supply A/S:

- Orifarm Supply Holding A/S
- Orifarm PI A/S
- Orifarm Group A/S
- Habico A/S
- Habico Holding A/S
- HBS Capital ApS
- Hans Carl Bøgh-Sørensen, Odense, ultimate beneficial owner

All transactions with related parties are conducted on arms length.

18 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
HBS Capital ApS, Odense, Central Business Registration Number 41 00 08 80.

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Orifarm Group A/S, Odense, Central Business Registration Number 27 34 72 82.

Accounting policies

Reporting class

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

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

Reclassifications of items of the income statements and balance sheet have been made in the comparison year which have not affected profit.

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. Property, plant and equipment, intangible assets, inventories and other nonmonetary assets that have been purchased in foreign currencies are translated using historical rates.

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.

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 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.

Income statement

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.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Cost of sales

Cost of sales includes direct and indirect costs incurred to generate revenue. The cost of sales is recognized raw materials, consumables and cost of production staff.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for distribution, sale, advertising, administration, premises etc.

Referring to section 96 (3) in the Danish Financial Statement Act the Entity has decided not to show the fee to auditors. Reference is made to the information for the Group in the consolidated financial statements for Orifarm Group A/S.

Staff costs

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

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as equipment.

Other financial income

Other financial income comprises, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, as well as 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 subsidiaries. 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).

The jointly taxed companies to the rules of section 11B of the Danish Companies Act governing interest deduction limitation. It has been agreed in the joint taxation that reduced interest deduction is recognised in the company in which the interest deduction has been reduced.

Balance sheet**Goodwill**

Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. The amortisation period used is 20 years.

The determination of the lifetime is decided based on an evaluation of a combined company with Know How, skills and a efficient organization, which is expected to provide development of the business in a long time to come, and because the lifetime of the medical products normally are very long.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, but over no more than 20 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Equipment are measured at cost less accumulated depreciation and impairment losses.

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.

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:

	Useful life
Other fixtures and fittings, tools and equipment	3-5 years

Estimated useful lives and residual values are reassessed annually.

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

Profit or losses from the sale of equipment are calculated as the difference between selling price less selling cost and carrying amount at the time of sale. Profit and losses are recognized in the income statement.

Other investments

Other investments comprise unlisted equity investments measured at cost. Unlisted equity investments are written down to any lower net realisable value.

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 as well as 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.

Prepayments

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

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity.

Deferred tax

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

Deferred tax assets, including the tax base of tax loss carry-forwards, 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.

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.

Income tax receivable or payable

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

Cash flow statement

Referring to section 86 (4) of the Danish Financial Statements Act, Orifarm Supply A/S has not prepared any cash flow statement. Orifarm Supply A/S is included in the consolidated cash flow statement in Orifarm Group A/S.