

SCHOU-FONDET

Annual Report 2020

1 January 2020 – 31 December 2020

The Annual Report has been presented and adopted
at the company's Annual General Meeting on
25 May 2021.

Maiken Lorensen

Schou-Fondet
Palsgaardvej 10
7130 Juelsminde
CVR-NO: 17582011



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COMPANY DETAILS

Foundation	Schou-Fondet Palsgaardvej 10 7130 Juelsminde CVR No.: 17 58 20 11 Established: 31 December 1957 Registered Office:Hedensted Financial Year: 1 January - 31 December
Presidium	Rasmus Christiansen Mette Marciniak Mikkelsen Anders Brix Birger Brix Jane Hvolbæk Nielsen
Executive Board	Anders Brix
Auditor	BDO Statsautoriseret revisionsaktieselskab Roms Hule 4, 1. sal 7100 Vejle

BOARD OF DIRECTORS STATEMENT AND MANAGEMENT'S STATEMENT

Today the Board of Directors and management have discussed and approved the Annual Report of Schou-Fondet for the financial year 1 January - 31 December 2020.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion the Consolidated Financial Statements and the Annual Financial Statements of the Company give a true and fair view of the Foundation's assets, liabilities and financial position at 31 December 2020 and of the results of the Foundation's operations and cash flows for the financial year 1 January - 31 December 2020.

The Management Commentary includes in our opinion a fair presentation of the matters dealt with in the Commentary.

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

Juelsminde, 25 May 2021

Executive Board

Anders Brix

Board of Directors

Rasmus Christiansen

Mette Marciniak Mikkelsen

Anders Brix

Birger Brix

Jane Hvolbæk Nielsen

INDEPENDENT AUDITOR'S REPORT

To the Board of directors of Schou-Fondet

Opinion

We have audited the Consolidated Financial Statements and the Annual Financial Statements of the Company of Schou-Fondet for the financial year 1 January - 31 December 2020, which comprise income statement, Balance Sheet, statement of changes in equity, notes and a summary of significant accounting policies for both the Group and the Parent Company, as well as consolidated statement of cash flows for the Group. The Consolidated Financial Statements and the Annual Financial Statements of the Company are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Annual Financial Statements of the Company give a true and fair view of the assets, liabilities and financial position of the Group or the Company at 31 December 2020 and of the results of the Group and the Parent Company's operations as well as the consolidated cash flows of the Group for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 Consolidated Financial Statements and the Annual Financial Statements of the Company" section of our report. We are independent of the Group 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 evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Management's Responsibilities for the Consolidated Financial Statements and the Annual Financial Statements of the Company

Management is responsible for the preparation of Consolidated Financial Statements and the Annual Financial Statements of the Company 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 Consolidated Financial Statements and the Annual Financial Statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements and the Annual Financial Statements of the Company, Management is responsible for assessing the Group's and the Parent 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 Consolidated Financial Statements and the Annual Financial Statements of the Company unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements and the Annual Financial Statements of the Company 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 Consolidated Financial Statements and the Annual Financial Statements of the Company.

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:

INDEPENDENT AUDITOR'S REPORT

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements and the Annual Financial Statements of the Company, 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 Group's and the Parent 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 Consolidated Financial Statements and the Annual Financial Statements of the Company and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent 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 Consolidated Financial Statements and the Annual Financial Statements of the Company 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 Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Consolidated Financial Statements and the Annual Financial Statements of the Company, including the disclosures, and whether the Consolidated Financial Statements and the Annual Financial Statements of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 Management's Review

Management is responsible for Management's Review.

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

In connection with our audit of the Consolidated Financial Statements and the Annual Financial Statements of the Company, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Consolidated Financial Statements and the Annual Financial Statements of the Company 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.

INDEPENDENT AUDITOR'S REPORT

Based on the work we have performed, we conclude that Management's Review is in accordance with the Consolidated Financial Statements and the Annual Financial Statements of the Company 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.

Vejle, 25 May 2021

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Frank Lau
State Authorised Public Accountant
MNE no. mne32054

FINANCIAL HIGHLIGHTS OF THE GROUP

	2020	2019	2018	2017	2016
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Income statement					
Net revenue.....	1.510.568	1.455.747	1.427.583	1.263.797	1.188.890
Gross profit.....	489.932	438.503	452.629	408.899	396.787
Operating profit/loss of main activities...	137.075	109.537	143.017	120.124	137.744
Financial income and expenses, net.....	-2.537	13.490	-147	6.745	-2.514
Profit for the year before tax.....	131.865	119.070	120.302	149.375	137.662
Profit for the year.....	102.661	87.318	85.114	116.390	99.358
Profit for the year excl. minority interests.....	96.284	83.143	82.125	112.168	95.253
Balance sheet					
Total assets.....	1.884.619	1.819.569	1.719.824	1.600.198	1.506.288
Equity.....	1.655.672	1.612.144	1.504.525	1.415.859	1.318.900
Equity excl. minority interests.....	1.624.506	1.581.984	1.481.224	1.395.503	1.300.106
Cash flows					
Investment in property, plant and equipment.....	-193.990	-174.736	-52.478	-31.090	-24.740
Average number of full-time employees.....					
	559	527	513	471	410
Key ratios					
Gross margin.....	32.4	30.1	31.7	32.4	33.4
Operating margin.....	9.1	7.5	10.0	9.5	11.6
Return on invested capital.....	12.2	11.0	16.2	14.5	16.0
Equity ratio.....	86.2	86.9	86.1	87.2	86.3
Return on equity (ex minority interests)..	6.0	5.4	5.7	8.3	7.6
Index for net revenue.....	127	122	120	106	100

FINANCIAL HIGHLIGHTS OF THE GROUP

The ratios stated in the list of key figures and ratios have been calculated as follows:

Invested capital:	Intangible fixed assets (ex goodwill) + tangible assets + inventories + receivables + other working current assets - trade payables - other provisions - other long and short term working liabilities
Gross margin:	$\frac{\text{Gross profit} \times 100}{\text{Net revenue}}$
Operating margin:	$\frac{\text{Operating profit/loss} \times 100}{\text{Net revenue}}$
Return on invested capital:	$\frac{\text{Profit/loss on ordinary activities} \times 100}{\text{Average invested capital}}$
Equity ratio:	$\frac{\text{Equity ex minorities, at year end} \times 100}{\text{Total equity and liabilities, at year end}}$
Return on equity (ex minorities):	$\frac{\text{Profit/loss after tax ex minorities} \times 100}{\text{Average equity ex minorities}}$

MANAGEMENT'S REVIEW

Main activities

The main activity of the foundation is property leasing. Most of the properties are leased to group companies.

The main activities of the group are production and sale of ingredients for the food sector and for technical applications, furthermore the group have activities within farming, forestry and investment.

Results and financial development

The foundation's profit before tax is improved with 13 million DKK compared with 2019 and the group's profit before tax is improved with 13 million DKK compared with 2019.

Compared with 2019 the profit for the foundation as well as the group has been improved. The profit in the ingredients division increased by DKK 28 million despite the COVID19 situation. The profit on investments in securities and properties decreased with 11 million compared with 2019.

The profit is satisfactory the COVID19 situation taken into consideration.

The result for the year compared with the expected development

The company's and the Group's profit for 2020 are in line with the expectations presented in the annual report for 2019.

Significant events after the end of the financial year

No events have occurred after the end of the financial year of material importance for the foundation's financial position.

Financial risk

Operating risks

The group's primary business risk is the dependence of the economic development in the markets where the products are sold and the ability to constantly be able to have a competitive cost price.

Price risks

A substantial part of the raw materials follows the price development on the international commodity market; this is a general risk for the industry.

Currency risks

Trading in foreign currencies entails that result, cash flow and equity is affected by the development of exchange rates and interests for a range of currencies. The company's policy is that sales in other currencies than EUR and DKK are hedged.

Currency risks related to investments in subsidiaries are not hedged.

Interest risk

Due to the positive cash position the interest risk is limited.

MANAGEMENT'S REVIEW

Environment

The daily operations are carried out with respect for the environment, we refer to the CSR report mentioned in the following.

Know-how capacity

The most important resource is the employees. The development of the business is dependent on an ongoing education of the employees and that the employees show dedication, flexibility and adaptability. The ambition is, to have an ongoing development of employees through education, to support their dedication via information from the management, and to support the employees where adaptability is needed.

Research and development activities

To maintain and improve the market position large resources are continuously invested in research and development. IP-rights related to product innovations are secured via patents at the earliest possible stage.

Future expectations

The foundation and the Group expects a growth in 2021 and that the earnings will improve compared with 2020. For the foundation a profit before tax at a level of 100 - 130 million is expected and for the group a profit before tax at a level of 130 - 160 million is expected.

Corporate social responsibility (CSR) report

As far back as 1908, and long before "Corporate Social Responsibility" (CSR) was conceptualised, Palsgaard's founder Einar Viggo Schou established a strong tradition in responsibility. For him, this meant looking after employees and their families, the local communities in which Palsgaard operates, and society in general. More than a century on, CSR is still a strategic part of our business.

Palsgaard's activities extend to over 100 countries, but we always bring with us a commitment to sustainability. We conduct ourselves in a financially responsible manner to maintain a profitable business through innovation, process optimisation and risk minimisation. This ensures that we remain a reliable supplier for our customers and an attractive, safe and caring workplace for our employees.

CSR is strategic for Palsgaard's activities and is overseen by a dedicated CSR Steering Committee. A CSR Working Committee is chaired by a senior CSR Specialist, with member representation from all departments in the company. Our CSR report details our strategic work within CSR.

The Report on corporate social responsibility for 2020 according to § 99a of the Danish Financial Statements Act is published on the webpage:

<http://novicell.ipapercms.dk/PalsgaardAS/CSR/palsgaard-csr-report-2020/>

For further CSR related information, we refer to our webpage:

<https://www.palsgaard.com/en/responsibility/palsgaard-and-corporate-social-responsibility/100-years-of-responsible-behaviour/>

Report on the Gender Distribution in Management

Target

The gender distribution in the board of directors comply with the intentions of the legislation.

Policies

The foundation and the group has a policy regarding the proportion of gender in the management levels of the entities in the group. When choosing between equally qualified candidates, the general diversity among the employees shall be taken into consideration. The board of directors will once a year review the gender proportion to assess if the proportion is in line with the policy.

MANAGEMENT'S REVIEW

Report on distribution policy

Statutory report on distribution policy cf. section § 77b of the Danish Financial Statements Act.

According to the Statues, the objectives of Schou-Fondet are:

- A. to own companies that the Board of Directors of the Foundation may find appropriate for the fulfilment of the other objects of the Foundation,
- B. to preserve and further develop the Palsgaard Estate with all its splendours, as a beautiful and pleasant workplace for all employees,

to preserve the main building through maintenance and renewal in a manner consistent with the architecture and history of the building, not as a lifeless monument but in accordance with its purpose and structure as a vibrant family home for either the Director of the Foundation's activities or for another person linked to the Foundation, who is considered to be a suitable candidate by the Board of Directors of the Foundation in terms of publicly representing the Foundation,
- C. to establish, own and support independent companies within research and development in connection with the areas that the Foundation's Board of Directors may find appropriate to promote the activities of the Foundation,
- D. to support the Palsgaard Foundation to the extent that Schou-Fondet deems to be consistent with the other objects of Schou-Fondet.

MANAGEMENT'S REVIEW

Report on good fund management etc.

Statutory report on foundation governance, cf. section 77a of the Danish Financial Statements Act.

The foundation is covered by the Recommendations on Foundation Governance, which are available on the website of the Committee on Foundation Governance www.godfondsledelse.dk.

“Comply or explain”

Section 77a of the Financial Statements Act, which is covered by the Commercial Foundations Act (Lov om erhvervsdrivende fonde) states that foundations must include a report by the board of directors on foundation governance, cf. section 60 of the Commercial Foundations Act, in the management commentary or in the notes.

According to section 60 of the Commercial Foundations Act the report contains information on how the commercial foundation has addressed the Recommendations. The board of directors can choose to comply with the Recommendations or explain what they have chosen to do instead.

Failure to comply with a Recommendation is not considered as a breach of rules but merely implies that the board of directors has chosen a different approach.

Reporting must reflect the current type of management at the date of the annual report. In the event of significant changes during the year, or after the balance sheet date, this should be described in the report on foundation governance. It is important that board of directors consider the individual Recommendations.

Recommendation	The foundation complies	The foundation does not comply and explains
1. Transparency and communication		
1.1. It is recommended that the board of directors adopt principles for external communication that address the need for transparency and stakeholders' needs and possibilities to obtain relevant up-to-date information about the circumstances of the foundation.	Yes	
2. Tasks and responsibilities of the board of directors		
2.1 Overall tasks and responsibilities		
2.1.1 It is recommended that, in order to secure the activities of the commercial foundation in accordance with the purposes and interests of the foundation, the board of directors should, at least once a year, take a position on the overall strategy and distribution policy of the foundation on the basis of the articles of association.	Yes	
2.1.2 It is recommended that the board of directors regularly address whether the foundation's asset management is in line with the purpose of the foundation and its long- and short-term needs.	Yes	
2.2 Chairman and vice-chairman of the board of directors		
2.2.1 It is recommended that the chairman of the board of directors organize, convene and chair meetings of the board of directors in order to ensure effective board work and to establish the best conditions for the work of the board members, individually and collectively.		According to the rules of procedure § 1 the board of directors normally meet every third month. For practical purposes the CEO convenes and lead the board meetings.
2.2.2 It is recommended that if the board of directors, in exceptional cases, asks the chairman of the board of directors to perform special activities for the commercial foundation which extend beyond the duties of chairman, a board resolution to that effect be passed to ensure that the board of directors maintains its independent, general management and control function. Appropriate allocation of responsibilities should be ensured between the chairman, the vice-chairman, the other members of the board of directors and the executive board, if any.	Yes	
2.3 Composition and organization of the board of directors		
2.3.1 It is recommended that the board of directors regularly, and at least every second year, assess and stipulate the competences that the board of directors needs to possess in order to best perform the tasks incumbent upon the board of directors.	Yes	

MANAGEMENT'S REVIEW

Recommendation	The foundation complies	The foundation does not comply and explains
2.3.2 It is recommended that with due respect of any right in the articles of association to make appointments, the board of directors approves a structured, thorough and transparent process for selection and nomination of candidates for the board of directors.	Yes	
2.3.3 It is recommended that members of the board of directors are appointed on the basis of their personal qualities and competences, taking into account the collective competences of the board, and that when composing and nominating new members to the board, the need for introducing new talent is weighed against the need for continuity and the need for diversity in relation to, inter alia, commercial and grants experience, age and gender.	Yes	
<p>2.3.4 It is recommended that in the management commentary in the annual report and on the commercial foundation's website, if any, there is an account of the composition of the board of directors, including its diversity, and that the following information is provided on each board member:</p> <ul style="list-style-type: none"> • the name and position of the member, • the age and gender of the member, • date of original appointment to the board, whether the member has been reelected, and expiry of the current election period, • any special competences possessed by the member, • other managerial positions held by the member, including positions on executive boards, boards of directors and supervisory boards and board committees in Danish and foreign foundations, enterprises and institutions, as well as other demanding organization tasks, • whether the member owns shares, options, warrants and similar in the foundation's subsidiaries and/or associated companies • whether the member has been appointed by authorities/providers of grants etc., and • whether the member is considered independent. 	Yes	
2.3.5 It is recommended that the majority of the members of the board of directors of the commercial foundation are not also members of the board of directors or executive board of the foundation's subsidiary(ies), unless it is a fully-owned actual holding company.	Yes	
2.4 Independence		
<p>2.4.1 It is recommended that an appropriate proportion of the board of directors be independent.</p> <p>If the board of directors (excluding employee representatives) is composed of</p> <ul style="list-style-type: none"> • up to four members, at least one member should be independent, • between five and eight members, at least two members should be independent, or • nine to eleven members, at least three members should be independent, and so on. <p>To be considered independent, this person may not, for example:</p> <ul style="list-style-type: none"> • be or within the past three years have been member of the executive board or a senior employee in the foundation or an essential subsidiary or associated company to the foundation, • within the past five years have received larger emoluments, including distributions or other benefits from the foundation/group or a subsidiary or associated company to the foundation in other capacity than as member of the board of directors or executive board of the foundation, • within the past year have had a significant business relationship (e.g. personal or indirectly as partner or employee, shareholder, customer, supplier or member of the executive management of companies with corresponding connection) with the foundation/group or a subsidiary or associated company of the foundation, • be or within the past three years have been employed 	Yes	

MANAGEMENT'S REVIEW

Recommendation	The foundation complies	The foundation does not comply and explains
<p>or partner at the external auditor,</p> <ul style="list-style-type: none"> • have been a member of the board of directors or executive board of the foundation for more than 12 years, • be a close relative or in another way be very close to persons who are not considered as independent, • be the founder or a significant donor if the purpose of the foundation is to grant support to this person's family or others who are especially close to this person, or • be a member of the management of an organisation, another foundation or similar, which receives or repeatedly within the past five years have received significant donations from the foundation. 		
2.5 Appointment periodt		
2.5.1 It is recommended that members of the board of directors be appointed for a minimum period of two years and a maximum period of four years.		According to the statutes the members of the board of directors are appointed indefinitely.
2.5.2 It is recommended that an age limit for members of the board of directors be set, which is published in the management commentary or on the foundation's website.	Yes, Age limit 70 years	
2.6 Evaluation of the performance of the board of directors and the executive board		
2.6.1 It is recommended that the board of directors establish an evaluation procedure in which the board of directors, the chairman and the contributions and performance of individual members are evaluated annually, and the result is discussed by the board of directors.		The foundation has no fixed evaluation procedure for the executive board, but the work and performance of the executive board is evaluated of the board of directors continuously during the year.
2.6.2 It is recommended that once a year the board of directors evaluate the work and performance of the executive board and/or the administrator (where relevant) in accordance with predefined clear criteria.		The foundation has no fixed evaluation procedure for the executive board, but the work and performance of the executive board is evaluated of the board of directors continuously during the year.
3. Remuneration of management		
3.1.1 It is recommended that the members of the board of directors of commercial foundations be remunerated with a fixed remuneration and that members of a potential executive board be remunerated with a fixed remuneration, possibly combined with a bonus which should not be dependent upon accounting results. The remuneration should reflect the work and responsibilities consequential to the position.	Yes	
3.1.2 It is recommended that the financial statements provide information about the full remuneration received by each member of the board of directors and any executive board from the commercial foundation and from the foundation's subsidiaries and associated companies. Furthermore there should be information on any other remuneration which members of the board of directors and an executive board, if any, have received for performing other work or tasks for the foundation, the foundation's subsidiaries or associated companies, except for the remuneration of employee representatives as employees.		The annual report has information of the remuneration of the board of executives and the board of directors in total. If the remuneration is specified personal data is considered being disclosed.

MANAGEMENT'S REVIEW

Members of the board of directors:

Member	Accession date	Competences	Management positions	Ownership	Independent
Rasmus Christiansen (Chairman) Born 1952	01.03.2002	Management and finance	Board positions: Palsgaard Bio Energy A/S (Group company) Anita d'Foged A/S (Group company) Hellebjerg Invest A/S (Group company) Palsgaard A/S (Group company) Einar A/S (Group company) Palsgaard Gods A/S (Group company) Copenhagen Airports International A/S Glostrup Park Hotel A/S Grupa Aeroportuario del Sureste, S.A.B. de C.V., Mexico	No	No
Birger Brix Born 1953	21.09.2016	Management and M&A	Board positions: Palsgaard Gods A/S (Group company) Boco Seafood A/S Kangamiut Holding A/S AA Jensen Gruppen A/S Industriudvikling Juelsminde Naturlegeparks Venner Alimex Seafood A/S Executive positions BKBRIX Invest ApS	No	No
Jane Hvolbæk Nielsen Born 1972 Technical University of Denmark	01.01.2021	Physics	Board Positions: Nexus A/S (Group Company) Palsgaard A/S (Group Company) European Spallation Source Ordrup Gymnasium	No	Yes
Mette Marciniak Mikkelsen Born 1968 Slots- og Kulturstyrelsen	01.01.2017	Architecture, buildings, parks, sculptures, culture, history	Board positions: Palsgaard Bio Energy A/S (Group company) Nexus A/S (Group Company) Anita d'Foged A/S (Group Company) Hellebjerg Invest A/S (Group Company) Palsgaard A/S (Group Company) Einar A/S (Group Company) Palsgaard Gods A/S (Group Company) Sole proprietorship: Marciniak, Naturstensrestaurering	No	Yes
Anders Brix Born 1978 Schou-Fondet Palsgaard Gods	01.06.2018	Management, finance and M&A	Board positions: Palsgaard Bio Energy A/S (Group company) Nexus A/S (Group company) Anita d'Foged A/S (Group company) Hellebjerg Invest A/S (Group company) Palsgaard A/S (Group company) Einar A/S (Group company) MSP Holding 2013 A/S Unison Energy Partners ApS Parelo A/S Lorepa A/S Industriudvikling V Executive positions Schou-Fondet (Group company) Palsgaard Gods A/S (Group company) Anita d'Foged A/S (Group company) Hellebjerg Invest A/S (Group company) Palsgaard Bio Energy A/S (Group company)	No	No

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	Group		Parent Company	
		2020 DKK '000	2019 DKK '000	2020 DKK '000	2019 DKK '000
NET REVENUE	1	1.510.568	1.455.747	10.874	10.879
Cost of sales.....		-857.448	-835.556	0	0
Other operating income.....		7.340	4.928	0	0
Other external expenses	2	-170.528	-186.616	-953	-833
GROSS PROFIT		489.932	438.503	9.921	10.046
Staff costs	3	-293.899	-271.475	-2.209	-2.351
Depreciation and amortisation.....		-58.637	-57.064	-3.275	-3.164
Other operating expenses.....		-321	-427	0	-75
OPERATING PROFIT		137.075	109.537	4.437	4.456
Income from investments an subsidiaries and associates.....	4	-2.673	-3.957	92.856	79.660
Income from other investments and securities.....		10.292	4.846	0	0
Other financial income.....	5	4.301	19.492	0	24
Other financial expenses.....	6	-17.130	-10.848	-34	-12
PROFIT BEFORE TAX		131.865	119.070	97.259	84.128
Tax on profit/loss for the year.....	7	-29.204	-31.752	-975	-985
PROFIT FOR THE YEAR	8	102.661	87.318	96.284	83.143

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	Group		Parent Company	
		2020 DKK '000	2019 DKK '000	2020 DKK '000	2019 DKK '000
Development projects completed .		7.611	1.900	0	0
Intangible fixed assets acquired ...		2.987	2.967	0	0
Goodwill		65.288	66.019	0	0
Development projects in progress and prepayments.....		15.954	15.954	0	0
Intangible assets.....	9	91.840	86.840	0	0
Land and buildings		362.385	294.927	56.016	56.576
Other plant, machinery, tools and equipment.....		133.544	131.018	0	0
Other plants, machinery, tools and equipment.....		46.068	43.350	890	1.183
Tangible fixed assets in progress and prepayment.....		196.896	123.316	0	0
Property, plant and equipment...	10	738.893	592.611	56.906	57.759
Investments in subsidiaries		0	0	1.556.858	1.517.764
Investments in associates.....		12.187	12.155	0	0
Other securities.....		91.169	82.644	0	0
Receivables from associated enterprises.....		10.293	13.027	0	0
Rent deposit and other receivables.....		0	618	0	0
Financial non-current assets.....	11	113.649	108.444	1.556.858	1.517.764
NON-CURRENT ASSETS.....		944.382	787.895	1.613.764	1.575.523
Raw materials and consumables ...		131.464	113.965	0	0
Finished goods and goods for resale.....		207.157	209.723	0	0
Inventories.....		338.621	323.688	0	0
Trade receivables		297.972	285.432	528	501
Receivables from group enterprises.....		0	0	10.959	869
Receivables from associated enterprises.....		6.709	0	0	0
Other receivables.....	12	105.609	43.305	3	13
Corporation tax receivable		7.388	0	0	0
Prepayments and accrued income.		12.994	10.365	30	28
Receivables.....		430.672	339.102	11.520	1.411
Investments in subsidiaries		0	285	0	0
Other securities and investments..	13	49.503	184.680	0	0
Current investments.....		49.503	184.965	0	0
Cash and cash equivalents.....		121.441	183.919	8.099	14.749
CURRENT ASSETS		940.237	1.031.674	19.619	16.160
ASSETS.....		1.884.619	1.819.569	1.633.383	1.591.683

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	Group		Parent Company	
		2020 DKK '000	2019 DKK '000	2020 DKK '000	2019 DKK '000
Share capital.....		25.000	25.000	25.000	25.000
Reserve for revaluation.....		3.504	3.521	0	0
Reserve for net revaluation under the equity method.....		0	629	1.505.326	1.466.232
Reserve for development costs.....		18.381	13.926	0	0
Reserve for fair value.....		-53.762	0	0	0
Other reserves		1.500	1.500	1.500	1.500
Retained earnings		1.629.883	1.537.408	92.680	89.252
Minority shareholders.....		31.166	30.160	0	0
EQUITY.....		1.655.672	1.612.144	1.624.506	1.581.984
Pensions and similar obligations ...		935	869	93	93
Provision for deferred tax.....	14	21.868	20.068	6.341	6.522
PROVISIONS		22.803	20.937	6.434	6.615
Bank loan		7	0	0	0
Other liabilities.....		19.030	10.081	0	0
Non-current liabilities.....	15	19.037	10.081	0	0
Bank debt.....		3.145	778	0	0
Prepayments received.....		9.773	1.769	0	0
Trade payables.....		89.017	108.276	83	1.008
Payables to group enterprises.....		0	294	0	517
Corporation tax.....		2.746	4.373	616	619
Other liabilities.....		80.740	59.136	1.744	940
Accruals and deferred income.....		1.686	1.781	0	0
Current liabilities.....		187.107	176.407	2.443	3.084
LIABILITIES.....		206.144	186.488	2.443	3.084
EQUITY AND LIABILITIES.....		1.884.619	1.819.569	1.633.383	1.591.683
Contingencies etc.	16				
Charges and securities	17				
Related parties	18				

EQUITY

	Group				
	Share capital	Other restricted reserves	Retained earnings	Minority shareholders	Total
Equity at 1 January 2020	25.000	19.576	1.537.408	30.160	1.612.144
Proposed profit allocation, note 8.....		-629	96.915	6.375	102.661
Transactions with owners					
Foreign exchange adjustments.....		-53.764			-53.764
Capital increase.....				2.177	2.177
Transferred to reserve for development costs		4.455	-4.455		0
Foreign exchange adjustments.....				-7.546	-7.546
Transfers to/from other items.....		-15	15		0
Equity at 31 December 2020.....	25.000	-30.377	1.629.883	31.166	1.655.672

	Group					Total
	Reserve for revaluation	Reserve for net revaluation under the equity method	Other reserves	Reserve for development costs	Reserve for fair value	
Equity at 1 January 2020.....	3.521	629	1.500	13.926	0	19.576
Proposed profit allocation, note 8.....		-629				-629
Foreign exchange adjustments.....	-2				-53.762	-53.764
Capitalized development costs.....				4.455		4.455
Transfers to/from other items.....	-15					-15
Equity at 31 December 2020.....	3.504	0	1.500	18.381	-53.762	-30.377

	Parent Company				Total
	Share capital	Reserve for net revaluation under the equity method	Other reserves	Retained earnings	
Equity at 1 January 2020	25.000	1.466.232	1.500	89.252	1.581.984
Proposed profit allocation, note 8.....		92.856		3.428	96.284
Other adjustments to equity value		-53.762			-53.762
Equity at 31 December 2020.....	25.000	1.505.326	1.500	92.680	1.624.506

CASH FLOW STATEMENT 1 JANUARY - 31 DECEMBER

	<u>Group</u>	
	2020	2019
	DKK '000	DKK '000
Profit/loss for the year.....	102.661	87.318
Depreciation and amortisation, reversed.....	58.637	57.064
Reversed realization gains/loss	-2.841	-2.194
Profit/loss from associates.....	2.673	3.957
Adjustment of other financial income.....	-12.512	16.985
Tax on profit/loss, reversed.....	29.204	31.752
Other adjustments	-60.939	18.592
Corporation tax paid.....	-36.419	-41.717
Change in inventories.....	-14.933	-14.830
Change in receivables (ex tax).....	-77.473	-7.006
Change in current liabilities (ex bank and tax).....	18.916	10.306
CASH FLOWS FROM OPERATING ACTIVITY.....	6.974	160.227
Purchase of intangible assets.....	-13.106	-7.085
Purchase of tangible fixed assets.....	-193.990	-174.736
Purchase of financial assets	125.761	24.134
Repayment of long-term lending and current investments.....	7.339	-10.309
CASH FLOWS FROM INVESTING ACTIVITY	-73.996	-167.996
Minority interests' share of capital increase	2.177	1.989
CASH FLOWS FROM FINANCING ACTIVITY.....	2.177	1.989
CHANGE IN CASH AND CASH EQUIVALENTS.....	-64.845	-5.780
Cash and cash equivalents at 1. januar.....	183.141	188.921
CASH AND CASH EQUIVALENTS AT 31. DECEMBER.....	118.296	183.141
Cash and cash equivalents at 31 December comprise:		
Cash and cash equivalents	121.441	183.919
Bank debt.....	-3.145	-778
CASH AND CASH EQUIVALENTS, NET DEBT.....	118.296	183.141

NOTES

	<u>Group</u>		<u>Parent Company</u>		Note
	2020 DKK '000	2019 DKK '000	2020 DKK '000	2019 DKK '000	
Net revenue					1
Segment details (geography)					
Domestic.....	669.643	601.384	10.874	10.879	
Foreign.....	840.925	854.363	0	0	
	1.510.568	1.455.747	10.874	10.879	
Fee to statutory auditor					2
BDO-Network.....	938	1.285			
Others.....	893	1.167			
	1.831	2.452			
Specification of fee:					
Statutory audit.....	1.440	1.325			
Other services.....	391	1.127			
	1.831	2.452			
Staff costs					3
Average number of employees	559	527	1	1	
Wages and salaries.....	249.277	229.404	1.623	1.845	
Pensions.....	33.437	29.593	584	504	
Social security costs.....	8.248	8.174	2	2	
Other staff costs.....	2.937	4.304	0	0	
	293.899	271.475	2.209	2.351	
Remuneration of management and board of directors.....	7.885	7.188	2.366	2.156	
	7.885	7.188	2.366	2.156	
Income from investments an subsidiaries and associates					4
Result of equity investments in group enterprises.....	0	0	92.856	79.660	
Result of equity investments in group enterprises.....	-2.673	-3.957	0	0	
	-2.673	-3.957	92.856	79.660	

NOTES

	Group		Parent Company		Note
	2020 DKK '000	2019 DKK '000	2020 DKK '000	2019 DKK '000	
Other financial income					5
Group enterprises	0	0	0	24	
Other interest income.....	4.301	19.492	0	0	
	4.301	19.492	0	24	
Other financial expenses					6
Group enterprises	0	4	0	0	
Other interest expenses.....	17.130	10.844	34	12	
	17.130	10.848	34	12	
Tax on profit/loss for the year					7
Calculated tax on taxable income of the year.....	28.018	31.681	1.156	1.189	
Adjustment of tax in previous years.	13	399	0	0	
Adjustment of deferred tax.....	1.173	-328	-181	-204	
	29.204	31.752	975	985	
Proposed distribution of profit					8
Allocation to reserve for net revaluation under the equity method.....	-629	-62	92.856	79.660	
Retained earnings.....	96.915	83.205	3.428	3.483	
Minority interests' share of results of subsidiaries.....	6.375	4.175	0	0	
	102.661	87.318	96.284	83.143	
Intangible assets					9
			Group		
			Development projects completed	Intangible fixed assets acquired	
Cost at 1 January 2020.....			2.425	3.574	
Exchange adjustment at closing rate.....			0	-244	
Additions.....			7.980	255	
Cost at 31 December 2020.....			10.405	3.585	
Amortisation at 1 January 2020			525	607	
Exchange adjustment at closing rate.....			0	-94	
Amortisation for the year			2.269	85	
Amortisation at 31 December 2020.....			2.794	598	
Carrying amount at 31 December 2020.....			7.611	2.987	

NOTES

	Note
Intangible fixed assets (continued)	9

	Group	
	Goodwill	Development projects in progress and prepayments
Cost at 1 January 2020.....	110.032	15.954
Additions.....	5.021	0
Cost at 31 December 2020.....	115.053	15.954
Amortisation at 1 January 2020	44.013	0
Amortisation for the year	5.752	0
Amortisation at 31 December 2020.....	49.765	0
Carrying amount at 31 December 2020.....	65.288	15.954

The Group's development costs relate to the development of new products for technical use and the food industry. The development is proceeding as planned and is expected to be completed within 1-3 years.

Property, plant and equipment	10
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	Group	
	Land and buildings	Production plant and machinery
Cost at 1 January 2020.....	438.359	554.855
Exchange adjustment.....	-8.603	-13.574
Additions.....	117.570	34.740
Disposals.....	-29.120	-801
Cost at 31 December 2020.....	518.206	575.220
Revaluation at 1 January 2020.....	3.711	0
Exchange adjustment.....	-12	0
Revaluation of assets sold.....	367	0
Revaluation at 31 December 2020.....	4.066	0
Depreciation and impairment losses at 1 January 2020.....	147.143	423.837
Exchange adjustment.....	-1.613	-8.835
Reversal of depreciation of assets disposed of.....	-22	-800
Depreciation for the year	14.379	27.474
Depreciation and impairment losses at 31 December 2020....	159.887	441.676
Carrying amount at 31 December 2020.....	362.385	133.544
Value of recognised assets, excluding revaluation under section 41.....	358.319	

NOTES

	Group		Note
	Other plants, machinery, tools and equipment	Tangible fixed assets in progress and prepayment	
Tangible fixed assets (continued)			10
Cost at 1 January 2020.....	123.288	123.316	
Exchange adjustment.....	-3.069	-5.964	
Additions.....	14.018	129.281	
Disposals	-2.448	-49.737	
Cost at 31 December 2020.....	131.789	196.896	
Depreciation and impairment losses at 1 January 2020	79.938		
Exchange adjustment.....	-1.490		
Reversal of depreciation of assets disposed of.....	-1.422		
Depreciation for the year	8.695		
Depreciation and impairment losses at 31 December 2020....	85.721		
Carrying amount at 31 December 2020.....	46.068	196.896	
	Parent Company		
	Land and buildings	Other plants, machinery, tools and equipment	
Cost at 1 January 2020.....	125.404	1.919	
Additions.....	2.436	0	
Disposals.....	0	-14	
Cost at 31 December 2020.....	127.840	1.905	
Depreciation and impairment losses at 1 January 2020.....	68.828	736	
Depreciation for the year	2.996	279	
Depreciation and impairment losses at 31 December 2020....	71.824	1.015	
Carrying amount at 31 December 2020.....	56.016	890	
Financial non-current assets			11
	Group		
	Investments in associates	Other securities	
Cost at 1 January 2020.....	11.526	106.732	
Additions.....	12.144	3.245	
Disposals	-11.276	-8.501	
Cost at 31 December 2020.....	12.394	101.476	
Revaluation at 1 January 2020.....	629	-24.088	
Dividend.....	0	-1.465	
Revaluation and impairment losses for the year.....	-2.673	15.246	
Changes in equity.....	-898	0	
Other adjustments.....	2.735	0	
Revaluation at 31 December 2020.....	-207	-10.307	
Carrying amount at 31 December 2020.....	12.187	91.169	

NOTES

Note

Fixed asset investments (continued)

11

	<u>Group</u>	
	Receivables from associated enterprises	Rent deposit and other receivables
Cost at 1 January 2020.....	17.500	618
Disposals	0	-618
Cost at 31 December 2020.....	17.500	0
Impairment losses at 1 January 2020.....	4.473	0
Impairment losses for the year.....	2.734	0
Impairment losses at 31 December 2020.....	7.207	0
Carrying amount at 31 December 2020.....	10.293	0
		<u>Parent Company</u>
		Investments in subsidiaries
Cost at 1 January 2020.....		51.532
Cost at 31 December 2020.....		51.532
Revaluation at 1 January 2020.....		1.466.232
Profit/loss for the year		92.856
Equity movements.....		-53.762
Revaluation at 31 December 2020.....		1.505.326
Carrying amount at 31 December 2020.....		1.556.858
Investments in subsidiaries		
Name and domicil		Ownership
Palsgaard Gods A/S, Juelsminde.....		100 %
Investments in associates		
Name and domicil		Ownership
Parelo A/S, Hedensted		33,33 %
Boco Seafood A/S, Norddjurs.....		41,67 %

NOTES

Note

Other receivables

12

The Group uses forward exchange contracts to hedge the Group's recognised and non-recognised transactions.

The Group has entered into forward exchange contracts at 31 December 2020 to hedge future purchases of USD, GBP, ZAR, BRL and CNY totaling to 217,466 DKK ('000).

BRL	5,048 DKK('000)
CNH	19,057 DKK('000)
GBP	232 DKK('000)
USD	189,843 DKK('000)
ZAR	3,286 DKK('000)

The fair value of forward exchange contracts relating to hedging of future purchases and sales in foreign currencies is included in the item "Other receivables" 31 December 2020, DKK ('000) 2.161 and "Other liabilities" 31 December 2019, DKK ('000) 592.

Counterparties to alle derivative contracts are banks with high credit rating which means counterparty risk is deemed low.

Other securities and investments

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	<u>Group</u>		
	Listed bonds	Listed equities	Nonlisted equities
Fair value at 31 December 2020.....	9.644	12.499	27.360
Value adjustment in the year recognised in the Income Statement.....	403	-215	1.150

Provision for deferred tax

14

Provision for deferred tax relate to differences between accounting and tax values of intangible assets and property, plant and equipment as well as inventories.

	<u>Group</u>		<u>Parent Company</u>	
	2020 DKK '000	2019 DKK '000	2020 DKK '000	2019 DKK '000
Deferred tax, beginning of year.....	20.068	20.396	6.522	6.726
Deferred tax of the year, income statement and equity.....	1.800	-328	-181	-204
Provision for deferred tax 31 December 2020.....	21.868	20.068	6.341	6.522

NOTES

Note

Long-term liabilities

15

	Group			
	31/12 2020 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2019 total liabilities
Bank loan.....	7	0	0	0
Other liabilities	19.030	0	15.674	10.081
	19.037	0	15.674	10.081

Contingencies etc.

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Contingent liabilities

The Group has committed itself as a limited partnership for further payment of capital contributions of DKK ('000) 68.775.

The Group has entered into operating lease agreements with an average annual lease payment of DKK ('000) 553.

The lease agreements have a total residual lease payment of DKK ('000) 891. The remaining period of the lease agreements is 0-4 years.

Charges and securities

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The Foundation

Owner's mortgages are registered of an amount of DKK ('000) 7,525 and letters of indemnity of DKK ('000) 20,000 on the Group's land and buildings. The owner's mortgage letters and indemnity letters are their own depository.

The Group

As security for engagements with banks, letters of indemnity amounting to DKK ('000) 10,000 have been registered. At 31 December 2020 the bank debt amounts to DKK ('000) 0.

Furthermore owner's mortgages are registered of an amount of DKK ('000) 48,256 and letters of indemnity of DKK ('000) 30,000 on the Group's land and buildings. The owner's mortgage letters and indemnity letters are their own depository.

NOTES

Note

Related parties

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The company's related parties having a significant influence comprise subsidiaries and associates as well as the companies' Board of Directors, Board of Executives and executive officers and their relatives. Related parties include also companies in which the above mentioned group of persons has material interests.

The Company has had the following transactions with related parties:

Related parties			(DKK '000)
Transactions with related parties			
Birger Brix	Member of the board of directors	Rental income on house/land	65
Birthe Brix	Close family to a member of the board of directors	Rental income on house/land	60
Henrik Brix	Close family to a member of the board of directors	Rental income on house/land	45
Boco Seafood A/S	Associated enterprise	Variable interest rate	472
Receivables from related parties			
Boco Seafood A/S	Associated enterprise	Carrying amount at 31 December 2020	10.293
Impairment losses on receivables from related parties			
Boco Seafood A/S	Associated enterprise	Adjustment of the loan to reflect the Company's share of the negative equity in Boco Seafood A/S	2.734
Boco Seafood A/S	Associated enterprise	Total negative adjustment at 31 December 2020	7.207

ACCOUNTING POLICIES

The Annual Report of Schou-Fondet for 2020 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, large-size enterprises.

The Annual Report is prepared consistently with the accounting principles applied last year, except for the following areas.

Change in accounting policies and classification

The accounting policies have been changed in the following areas:

- The Company has chosen to recognise currently the derivative financial instruments directly in the income statement.

The accumulated effect of the change of policy is per 2020:

- The results for the year after tax is reduced by DKK ('000) 296.
- The balance sheet total is unchanged.
- Equity is unchanged.

Consolidated Financial Statements

The consolidated financial statements include the parent company Schou-Fondet and its subsidiaries in which Schou-Fondet directly or indirectly holds more than 50% of the voting rights or in any other way has a controlling influence. Enterprises in which the group holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence, are considered associates, see the group structure.

The consolidated financial statements consolidate the financial statements of the foundation and the subsidiaries by combining uniform accounts items. Intercompany income and expenses, shareholdings, internal balances and dividend, and realised and unrealised gains and losses arising from transactions between the consolidated enterprises are fully eliminated in the consolidation.

New acquired or established enterprises are recognised in the consolidated financial statements from the time of acquisition. Sold or wound up enterprises are recognised in the consolidated income statement up to the time of disposal. Comparative figures are not adjusted for new acquired, sold or wound up enterprises.

Acquired enterprises are recognised in the consolidated financial statements under the acquisition method, reassessing all identified assets and liabilities to fair value at the acquisition date. The fair value is calculated based on acquisitions made in an active market, alternatively calculated using generally accepted valuation methods. At calculation of the fair value of properties used in the business a discounted cash flow model is applied based on discounted cash flow of future earnings. Operating equipment is recognised at fair value based on an assessor's opinion, built on an overall assessment of the production equipment.

Investments in subsidiary enterprises are set off by the proportional share of the subsidiaries' market value of net assets and liabilities at the acquisition date.

Positive differences between acquisition value and market value of acquired and identified assets and liabilities are recognised in intangible fixed assets as goodwill and amortised systematically in the income statement under an individual assessment of the useful life. Negative differences are recognised in the income statement upon acquisition. Differences from acquired enterprises amounts to DKK ('000) 65,288.

Investments in associates are measured in the balance sheet at the proportional share of the value of the enterprises, calculated under the accounting policies of the foundation and eliminating proportionally any unrealised intercompany gains and losses. The proportional share of the results of the associates is recognised in the income statement after elimination of the proportional share of internal gains and losses.

ACCOUNTING POLICIES

Minority interests

The accounting items of the subsidiaries are recognised in full in the consolidated financial statements. The minority interests' proportional share of the results and equity of the subsidiaries is stated as separate items in the allocation of profit/loss and in individual main items under equity.

INCOME STATEMENT

Net revenue

Net revenue from sale of merchandise and finished goods is recognised in the Income Statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

Other operating income

Other operating income includes items of a secondary nature in relation to the Group's and the Company's activities, including profit from sale of intangible and tangible fixed assets.

Other operating expenses

Other operating expenses include items of a secondary nature in relation to the enterprises' principal activities, including loss from sale of intangible and tangible fixed assets.

Cost of sales

Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

Other external expenses

Other external expenses include cost of sales, advertising, administration, buildings, bad debts, operational lease expenses, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the company's employees. Repayments from public authorities are deducted from staff costs.

Income from equity interests in subsidiaries and associates

The income statement of the parent company recognises the proportional share of the results of each subsidiary after full elimination of intercompany profits/losses and deduction of amortisation of goodwill.

The income statement of the owning company recognises the proportional share of the results of each associate after proportional elimination of intercompany profits/losses and deduction of amortisation of goodwill.

Income from other securities

Income from other securities includes interest income, realized and unrealized capital gains and losses.

Financial income and expenses

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

ACCOUNTING POLICIES

Tax

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

BALANCE SHEET

Intangible assets

Acquired goodwill is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over the expected useful life which is estimated to 20 years.

Patents and licences are measured at the lower of cost less accumulated amortisation and the recoverable amount. Patents are amortised over the remaining patent period and licences are amortised over the period of the agreement, however, no more than 5-10 years.

Development costs comprise costs, including wages and salaries, and amortisation, which directly or indirectly can be related to the company's development activities and which fulfil the criteria for recognition.

Capitalised development costs are measured at the lower of cost less accumulated amortisation or recoverable amount.

Capitalised development costs are amortised on a straight-line basis over the estimated useful life after completion of the development work. The amortisation period is normally 5 years.

The amortisation period is estimated based on the activities of which the intangible assets are related to and are estimated based on the expected useful life.

Intangible fixed assets are generally written down to the lower of recoverable value and carrying amount.

Property, plant and equipment

Land and buildings, production plant and machinery, other plant, fixtures and equipment are measured at cost less accumulated depreciation and write-down. Land is not depreciated.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used. As regards self-manufactured assets, the cost price includes cost of materials, components, subcontractors, direct payroll and indirect production costs.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Buildings	25-33 years	0 %
Production plant and machinery	5-10 years	0 %
Other plant, fixtures and equipment.....	3-10 years	0 %

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

ACCOUNTING POLICIES

Financial non-current assets

Investments in subsidiaries and associates are measured in the company's balance sheet under the equity method.

Investments in subsidiaries and associates are measured in the balance sheet at the proportional share of the enterprises' carrying equity value, calculated in accordance with the parent company's accounting policies with deduction or addition of unrealised intercompany profits or losses and with addition or deduction of the residual value of positive or negative goodwill.

Acquired enterprises are recognised in the consolidated financial statements under the acquisition method, reassessing all identified assets and liabilities to fair value at the acquisition date. The fair value is calculated based on acquisitions made in an active market, alternatively calculated using generally accepted valuation methods. Upon calculation of the fair value of properties used in the business a discounted cash flow model is applied based on discounted cash flow of future earnings. Operating equipment is recognised at fair value based on an assessor's opinion, built on an overall assessment of the production equipments.

Net revaluation of investments in subsidiaries and associates is transferred under the equity to reserve for net revaluation under the equity value method to the extent that the carrying amount exceeds the acquisition value.

Subsidiaries and associates with a negative carrying equity value are measured to DKK 0 and any amounts due from these enterprises are written down by the company's share of the negative equity to the extent that it is deemed to be irrecoverable. If the carrying negative equity value exceeds receivables, the residual amount is recognised under provision for liabilities to the extent that the company's has a legal or actual liability to cover the subsidiary's and associates deficit.

Deposits include rental deposits which are recognised and measured at amortised cost. Deposits are not depreciated.

Impairment of non-current assets

The carrying amount of intangible assets and Property, plant and equipment together with investments, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the net realisable value is lower than the carrying amount, it is written down to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

ACCOUNTING POLICIES

Inventories

Inventories are measured at cost using the average cost method. If the net realisable value is lower than cost, it is written down to the lower value.

The cost of finished goods as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The cost of finished goods and work in progress includes cost of raw materials, consumables, direct payroll cost and indirect production cost. Indirect production costs include indirect materials and payroll and maintenance and depreciation of the machines, factory buildings and equipment used in the production process, cost of factory administration and management and capitalised development costs relating to the products.

The net realisable value of inventories is stated at sales price less completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price.

Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is reduced by impairment to meet expected losses.

Accruals, assets

Accruals recognised as assets include costs incurred relating to the subsequent financial year.

Securities

Securities and investments, recognised as current assets, comprise public quoted bonds, shares and other current investments that are measured at fair market value on the balance sheet date. Public quoted securities are measured at quoted price.

Securities and investments includes investments in subsidiaries which are measured in the group's balance sheet under the equity method

Subsidiaries are not consolidated in the group financial statements according to section 114(2) of the Danish Financial Statements Act. In accordance with section 127(4) of this Act, no further justification is required.

Cash and cash equivalents

Cash and cash equivalents include cash bank deposits.

Other provisions for liabilities

Provisions include expected costs relating to pension obligations.

ACCOUNTING POLICIES

Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the balance sheet at the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

The company is subject to joint taxation with Danish group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the tax-on-account scheme. Joint taxation contributions receivable and payable are recognised in the balance sheet under current assets and liabilities, respectively.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax resulting from changes in tax rates are recognised in the Income Statement, except from items recognised directly in equity.

Liabilities

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the income statement over the term of loan.

Amortised cost of current liabilities usually corresponds to nominal value.

Accruals, liabilities

Accruals recognised as liabilities include payments received regarding income in subsequent years.

Derivative financial instruments

The initial recognition measures derivative financial instruments in the balance sheet at cost price and subsequently at fair value. Positive and negative fair values of derivative financial instruments are included in receivables and liabilities, respectively.

Change in fair value of derivative financial instruments classified as and complying with the criteria for hedging of the fair value of a recognised asset or a recognised liability is recognised in the Income Statement together with possible changes in the fair value of the hedged asset or the hedged liability.

Change in fair value of derivative financial instruments classified as and complying with the criteria for hedging of future cash flows is recognised under receivables or payables and under equity. If the future transaction results in recognition of assets or liabilities, all amounts recognised under equity are transferred from equity and recognised under initial cost for the asset or liability, respectively. If the future transaction results in income or expenses amounts recognised under equity are transferred to the Income Statement for the period where the income statement was affected by the hedged amount.

As regards possible derivative financial instruments, which do not comply with the criteria for classification as hedging instruments, any changes in fair value are recognised on a current basis in the income statement.

ACCOUNTING POLICIES

Foreign currency translation

Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the income statement as a financial income or expense.

If the foreign exchange position is considered to hedge future cash flows, the unrealised exchange adjustments are recognised directly in the equity.

Receivables, payables and other monetary items in foreign currencies that are not settled on the balance sheet date are translated at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the exchange rate at the time of occurrence of the receivables or payables is recognised in the income statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.

The income statements of foreign subsidiaries and associates fulfilling the criteria for being independent entities are translated at an average exchange rate for the month and balance sheet items are translated at the rate of exchange on the balance sheet date. Exchange differences arising from translation of the equity of foreign subsidiaries at the beginning of the year to the rates of the balance sheet date and from translation of income statements from average rate to the rates of the balance sheet date are recognised directly in the equity.

Exchange adjustment of intercompany accounts with foreign subsidiaries that are deemed to be an addition to or deduction from the equity of independent subsidiaries are recognised directly in the equity.

ACCOUNTING POLICIES

CASH FLOW STATEMENT

The cash flow statement shows the group's cash flows for the year for operating activities, investing activities and financing activities in the year, the change in cash and cash equivalents of the year and cash and cash equivalents at beginning and end of the year.

Cash flows from operating activities:

Cash flows from operating activities are computed as the results for the year adjusted for non-cash operating items, changes in net working capital and corporation tax paid.

Cash flows from investing activities:

Cash flows from investing activities include payments in connection with purchase and sale of intangible and tangible fixed asset and fixed asset investments.

Cash flows from financing activities:

Cash flows from financing activities include changes in the size or composition of share capital and related costs, and borrowings and repayment of interest-bearing debt and payment of dividend to shareholders.

Cash and cash equivalents:

Cash and cash equivalents include bank overdraft and cash in hand.