

# Musholm A/S

Strandvejen 101, 4281 Goerlev

Company reg. no. 17 89 59 07

## Annual report

**1 April 2019 - 31 March 2020**

The annual report was submitted and approved by the general meeting on the 24 August 2020.

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**Michael Budtz**  
Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

## Management's report

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Today, the board of directors and the managing director have presented the annual report of Musholm A/S for the financial year 1 April 2019 - 31 March 2020.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies appropriate and, in our opinion, the consolidated financial statements and the financial statements provide a fair presentation of the assets, equity and liabilities, and the financial position, consolidated and for the company, respectively, at 31 March 2020, and of the result of the activities, consolidated and of the company, respectively, during the financial year 1 April 2019 – 31 March 2020.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

We recommend that the annual report be approved by the general meeting.

Goerlev, 24 August 2020

### Managing Director

Niels Ebbe Dalsgaard  
CEO

### Board of directors

Michael Budtz  
Chairman

Niels Ebbe Dalsgaard

Koichi Okamura

Katja Nowak Nielsen

## Independent auditor's report

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### To the shareholder of Musholm A/S

#### Opinion

We have audited the consolidated financial statements and the financial statements of Musholm A/S for the financial year 1 April 2019 to 31 March 2020, which comprise accounting policies, income statement, statement of financial position, statement of changes in equity and notes, consolidated and of the company, respectively and consolidated statement of cash flows. The consolidated financial statements and the financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the financial statements present a fair view of the assets, equity and liabilities, and financial position, consolidated and of the company, respectively, at 31 March 2020 and of the results of the company's activities, consolidated and of the company, respectively and of consolidated cash flows for the financial year 1 April 2019 - 31 March 2020 in accordance with the Danish Financial Statements Act.

#### Basis for opinion

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

#### Responsibilities of management and those charged with governance for the consolidated financial statements and the financial statements

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

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

## Independent auditor's report

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### **Auditor's responsibilities for the audit of the consolidated annual accounts and the financial statements**

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

As part of an audit conducted in accordance with international standards on auditing, and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and 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 the 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 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 preparation of the consolidated financial statements and the financial statements using the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists arising from events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and 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 group and the company to cease to continue as a going concern.

## Independent auditor's report

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- Evaluate the overall presentation, structure, and contents of the consolidated financial statements and the financial statements, including disclosures in notes, and whether the consolidated financial statements and the financial statements reflect the underlying transactions and events in a manner that presents a fair view.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or the 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 the internal control that we identify during our audit.

### Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the financial statements does not cover the management commentary, and we express no assurance opinion thereon.

In connection with our audit of the consolidated financial statements and the financial statements, it is our responsibility to read the management commentary and to consider whether the management commentary is materially inconsistent with the consolidated financial statements or the financial statements or the evidence obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, 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 believe that the management commentary is consistent with the consolidated financial statements and the financial statements and that it has been prepared in accordance with the provisions of the Danish Financial Statement Act. We did not discover any material misstatement in the management commentary.

Copenhagen, 24 August 2020

### Redmark

Statsautoriseret Revisionspartnerselskab  
Company reg. no. 29 44 27 89

Anders Schelde-Møllerup Funder

State Authorised Public Accountant  
mne30220

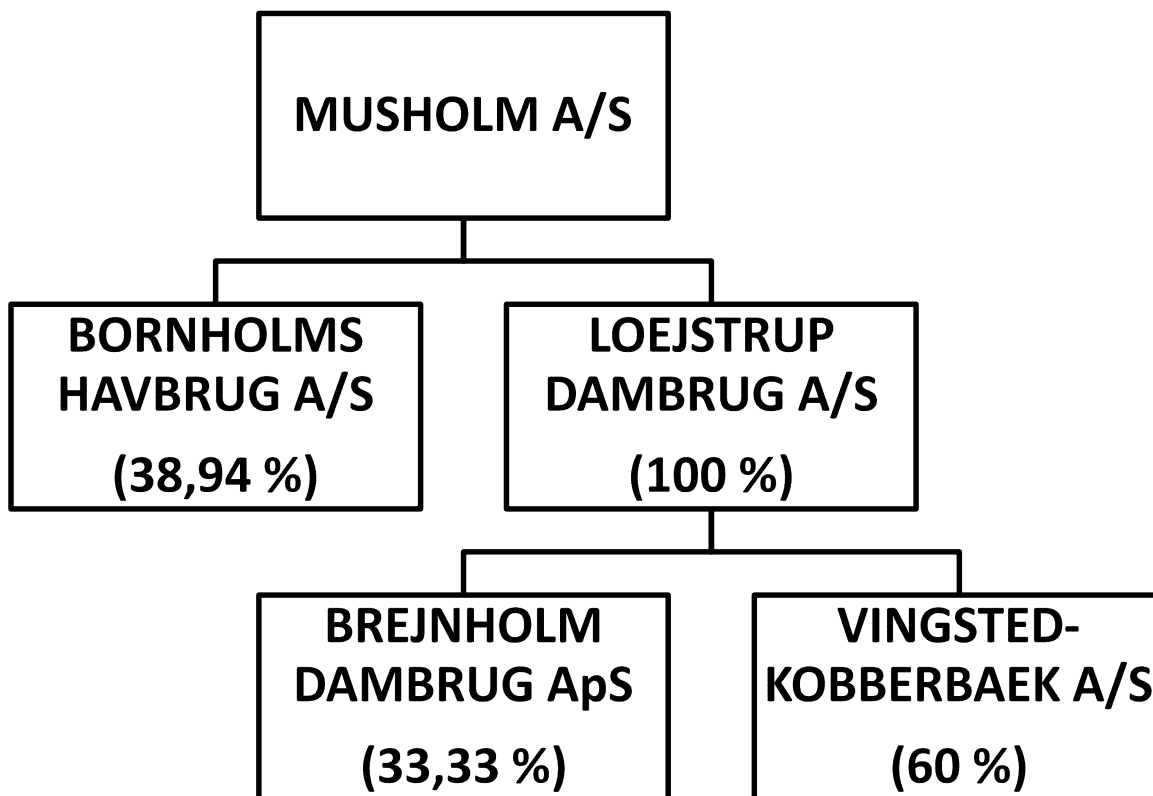
## Company information

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<b>The company</b>	Musholm A/S Strandvejen 101 4281 Goerlev
	Phone +45 58 85 90 07
	Company reg. no. 17 89 59 07
	Financial year: 1 April - 31 March 36th financial year
<b>Board of directors</b>	Michael Budtz, Chairman Niels Ebbe Dalsgaard Koichi Okamura Katja Nowak Nielsen
<b>Managing Director</b>	Niels Ebbe Dalsgaard, CEO
<b>Auditors</b>	Redmark Statsautoriseret Revisionspartnerselskab Dirch Passers Allé 76 2000 Frederiksberg
<b>Bankers</b>	Spar Nord Bank A/S, Slotsvolden 7, 4300 Holbaek
<b>Lawyer</b>	Kromann Reumert Advokatfirma, Sundkrogsgade 5, 2100 Copenhagen
<b>Parent company</b>	Okamura Foods Co. Ltd.
<b>Subsidiaries</b>	Loejstrup Dambrug A/S, Goerlev Vingsted-Kobberbaek A/S, Bredsten
<b>Associated enterprises</b>	Brejnholm Dambrug ApS, Toerring Bornholms Havbrug A/S, Nexoe

Group overview

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## Consolidated financial highlights

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DKK in thousands.	<u>2019/20</u>	<u>2018/19</u>	<u>2017/18</u>	<u>2016/17</u>	<u>2015/16</u>
<b>Income statement:</b>					
Gross profit	60.294	74.365	55.943	37.507	20.147
Profit from ordinary operating activities	16.383	35.042	38.714	22.089	5.435
Net financials	-1.589	-1.790	-1.575	-1.605	-2.476
Net profit or loss for the year	11.574	25.934	28.964	16.024	2.236
<b>Statement of financial position:</b>					
Balance sheet total	196.315	196.930	136.916	108.558	97.530
Investments in tangible fixed assets	34.348	8.456	23.648	16.906	9.933
Equity	130.580	119.006	91.277	62.313	46.087
<b>Cash flows:</b>					
Operating activities	32.404	12.630	25.316	24.858	23.098
Investing activities	-34.362	-8.358	-22.815	-17.129	-11.610
Financing activities	3.509	-5.737	-1.721	-3.662	-11.364
Total cash flows	1.551	-1.465	780	4.067	124
<b>Employees:</b>					
Average number of full-time employees	54	40	42	45	47
<b>Key figures in %:</b>					
Solvency ratio	66,0	60,0	66,3	57,2	47,3
Return on equity	9,3	24,5	37,5	29,6	9,7

Calculations of key figures and ratios do, in all material respects, follow the recommendations of the Danish Association of Finance Analysts, only in a few respects deviating from the recommendations.

The accounting policy has been changed. The changes relate to IFRS 15, IFRS 16 and IAS 41 and adjustments have been made to the comparative figures for 2018/19. No adjustments have been made for 2015/16 - 2017/18.

## Financial highlights for the parent

DKK in thousands.	<u>2019/20</u>	<u>2018/19</u>	<u>2017/18</u>	<u>2016/17</u>	<u>2015/16</u>
<b>Income statement:</b>					
Gross profit	46.240	61.838	49.955	34.263	16.952
Profit from ordinary operating activities	14.572	32.488	36.678	21.092	4.036
Net financials	209	152	10	-684	-1.206
Net profit or loss for the year	11.488	25.577	28.697	15.998	2.236
<b>Statement of financial position:</b>					
Balance sheet total	161.212	172.700	126.807	99.950	87.465
Investments in tangible fixed assets	15.096	8.690	7.333	6.457	5.887
Equity	129.643	118.155	90.782	62.085	46.087
<b>Employees:</b>					
Average number of full-time employees	40	33	33	37	39
<b>Key figures in %:</b>					
Solvency ratio	80,4	68,4	71,6	62,1	52,7
Return on equity	9,3	24,5	37,5	29,6	5,0

Calculations of key figures and ratios do, in all material respects, follow the recommendations of the Danish Association of Finance Analysts, only in a few respects deviating from the recommendations.

The accounting policy has been changed. The changes relate to IFRS 15, IFRS 16 and IAS 41 and adjustments have been made to the comparative figures for 2018/19. No adjustments have been made for 2015/16 - 2017/18.

The key figures and ratios shown in the statement of financial highlights have been calculated as follows:

**Solvency ratio** 
$$\frac{\text{Equity less non-controlling interests, closing balance} \times 100}{\text{Total assets, closing balance}}$$

**Return on equity** 
$$\frac{\text{*Profit} \times 100}{\text{Average equity exclusive of non-controlling interests}}$$

**\*Profit** Net profit or loss for the year less non-controlling interests'  
share hereof

## Management commentary

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### **The principal activities of the group**

Musholm A/S is an aquaculture company - farming, processing and selling trout and trout roe. The aquaculture activities are carried out at smolt stations in Jutland and sea farms in the Great Belt. The processing activities are taking place at factories in Reersoe and Korsoer.

Furthermore, the group is trading fish products from other Danish and foreign producers. Approx. 73% of the annual turnover came from export sales primarily to markets in Western and Eastern Europe and Southeast Asia.

### **Development in activities and financial matters**

The Group has decided to change its accounting policies for revenue (IFRS 15) and leasing (IFRS 16) as well as for recognition and measurement of biological assets (IAS 41). The reason for the changes is that the Group wants to increase the uniformity of its accounting policies in relation to its Japanese parent company.

The company has assessed the effect of adopting IFRS 15 and has concluded that there is no effect to the financial statements.

The primary effect of adopting IFRS 16 is an increase of the groups tangible assets amounting to TDKK 19.541 as at 31 March 2020, increased depreciations amounting to TDKK 1.736 and increased financial cost amounting to TDKK 664 for 2019/20.

IAS 41 requires biomass to be accounted for at the estimated fair value net of sales costs and harvesting costs. The calculation of the estimated fair value is based on market prices for harvested fish. In the accounts, the change in estimated fair value is entered to the income statement on a continuous basis. The primary effect of adopting IAS 41 is an increase of the group inventory amounting to TDKK 1.314 as at 31 March 2020.

The net-effect of the changes on the result for the group for 2019/20 amounts to TDKK 3.998 (loss).

A detailed description of the effects of the changes in accounting policies can be found on page 30.

The production on the seafarms in 2019 went well. The market for trout and roe was influenced by a large supply of Norwegian salmon and a large catch of wild salmon in the US and Russia, which resulted in both lower prices for trout and trout roe in the autumn 2019.

Revenue decreased by 1,1 % compared to the previous year, but the overall positive result for the company group was approx. 11,5 million DKK after tax, which must be considered satisfactory.

## Management commentary

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The company group has realized a better result than outlined in the budget for 2019/2020.

Investments of approx. 34 million DKK were made to improve production, quality and environment on smolt stations, seafarms and factories in order to maintain an economically and environmentally sustainable production of trout with ASC-certification according to the WWF-standards for responsible aquaculture.

In 2019, Okamura Foods Co., Japan acquired all shares in Musholm A/S. At the same time, senior employees of Musholm A/S have joined as co-owners of the Japanese mother company. Okamura Foods Co. process roe and fish and distribute to supermarkets and food service in Japan and Southeast Asia. Okamura Foods Co. are developing new seafarms and smolt stations in Japan, with Danish technology and equipment.

Following the instruction of the authorities Musholm asked all employees in the administration to work from home-office from the 12.03.20. All employees at the seafarms have been working according to the adjusted guidelines. Production in the factory and sales of trout roe to the foodservice-sector in Europe and sales of frozen trout have been adjusted to the change of market conditions. Musholm A/S has aimed to keep normal production and full employment during the corona-crisis.

### **Loejstrup Dambrug A/S**

Loejstrup Dambrug A/S is a subsidiary company of Musholm A/S and produces mainly trout eggs, juveniles and smolt to the mother company on several hatcheries and smolt stations. The production and sales of freshwater trout from the smolt stations was influenced negatively by lower prices and increased production cost in 2019. Loejstrup Dambrug A/S has realized a result of approx. 0,4 mill. dkk after tax which must be characterized as not satisfactory.

All employees on the freshwater trout farms have since the 12.03.20 been working according to the adjusted guidelines following the instruction of the authorities. Loejstrup Dambrug A/S has aimed to keep normal production and full employment during the corona crisis.

## Management commentary

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### General risks

The company group's risks can generally be divided into 4 categories that relate to aquaculture, processing, commercial and political conditions.

### Aquaculture

Aquaculture with farming of trout at hatchery, smolt stations and sea farm contains varying risks. Among the most significant challenges are disease, extreme weather conditions, breakdown of machinery, natural flora and fauna, biological conditions (growth, genetics, breeding, feed quality) and physical damages. These risks are all fundamental conditions in aquaculture and prevention of them are a part of the daily operations. Damages and losses can be partly covered by insurance agreements.

### Processing

Processing involves risks related to quality at the same level as other food producers. To cover these risks work is being done with food safety, traceability and HACCP-procedures in the processing and the risks can to some extent be covered with insurances for product responsibility.

### Commercial risks

Exports sales of trout and roe is, among other things, challenged by debtor – and currency risks, technical trade barriers, price dumping of salmon and trout from foreign producers and changing international market conditions. Debtors can be credit insured and currency positions can be hedged with forward exchange transactions.

### Political risks

Political risks include the especially restrictive Danish environmental regulations, which increase the cost level and limit the possibilities for development compared with competing producers in Europe, protectionism on foreign markets and negative media campaigns about salmon and aquaculture.

### Expected developments

#### Musholm A/S

For the time being it is not completely clear what effect the corona crisis will have on the market for seafarmed trout and trout for the coming season. A positive result is expected for the coming production year 2020/2021.

#### Loejstrup Dambrug A/S

For the time being it is not completely clear what effect the corona crisis will have on the market for freshwater farmed trout for the coming season. A positive result is expected for the coming production year 2020/2021.

### Events occurring after the end of the financial year

No events materially affecting the assessment of the annual report have occurred after the balance sheet day.

## Income statement 1 April - 31 March

All amounts in DKK.

Note	Group		Parent	
	2019/20	2018/19	2019/20	2018/19
	<b>60.294.467</b>	<b>74.364.597</b>	<b>46.240.294</b>	<b>61.838.109</b>
<b>Gross profit</b>				
1 Staff costs	-31.028.306	-27.825.040	-23.938.654	-21.986.873
Depreciation, amortisation, and impairment	-12.377.124	-11.449.623	-7.183.343	-7.363.131
Other operating costs	-506.201	-48.150	-546.215	0
<b>Operating profit</b>	<b>16.382.836</b>	<b>35.041.784</b>	<b>14.572.082</b>	<b>32.488.105</b>
Income from equity investments in group enterprises	0	0	415.775	806.273
Income from equity investments in associates	368.324	315.880	-48.000	-75.000
Other financial income from group enterprises	0	0	943.475	845.796
Other financial income	165.128	111.961	156.100	89.539
2 Other financial costs	-2.122.808	-2.217.631	-1.258.617	-1.514.968
<b>Pre-tax net profit or loss</b>	<b>14.793.480</b>	<b>33.251.994</b>	<b>14.780.815</b>	<b>32.639.745</b>
3 Tax on net profit or loss for the year	-3.219.419	-7.318.110	-3.292.422	-7.062.925
<b>4 Net profit or loss for the year</b>	<b>11.574.061</b>	<b>25.933.884</b>	<b>11.488.393</b>	<b>25.576.820</b>
Break-down of the consolidated profit or loss:				
Shareholders in Musholm A/S	11.488.393	25.576.820		
Non-controlling interests	85.668	357.064		
	<b>11.574.061</b>	<b>25.933.884</b>		

## Statement of financial position at 31 March

All amounts in DKK.

Note	Group		Parent		
	2020	2019	2020	2019	
<b>Assets</b>					
<b>Non-current assets</b>					
5	Concessions, patents, licenses, trademarks, and similar rights acquired	3.120.601	3.304.846	201.590	420.013
	Total intangible assets	3.120.601	3.304.846	201.590	420.013
6	Property	26.737.789	17.741.092	12.983.032	11.413.904
7	Plant and machinery	78.047.418	72.502.737	34.272.353	35.819.589
8	Other fixtures and fittings, tools and equipment	2.160.314	2.781.639	414.439	1.317.341
9	Property, plant, and equipment under construction including pre-payments for property, plant, and equipment	1.682.460	183.700	0	0
	Total property, plant, and equipment	108.627.981	93.209.168	47.669.824	48.550.834
10	Equity investments in group enterprises	0	0	8.605.907	8.190.131
11	Equity investments in associates	2.905.646	2.597.322	0	0
	Total investments	2.905.646	2.597.322	8.605.907	8.190.131
	<b>Total non-current assets</b>	<b>114.654.228</b>	<b>99.111.336</b>	<b>56.477.321</b>	<b>57.160.978</b>

## Statement of financial position at 31 March

All amounts in DKK.

<b>Assets</b>		Group		Parent	
		2020	2019	2020	2019
Note					
<b>Current assets</b>					
12	Inventory	60.794.267	69.985.939	25.672.960	41.113.491
	Total inventories	60.794.267	69.985.939	25.672.960	41.113.491
	Trade receivables	8.983.677	12.377.048	7.542.832	11.856.739
	Receivables from group enterprises	0	0	62.233.892	52.484.436
	Receivables from associates	1.148.726	3.196.726	1.148.726	3.196.726
	Tax receivables from group enterprises	0	0	23.193	72.906
	Other receivables	2.718.360	5.853.932	547.161	709.456
13	Prepayments and accrued income	2.776.336	2.716.368	2.540.336	2.440.661
	Total receivables	15.627.099	24.144.074	74.036.140	70.760.924
	Cash on hand and demand deposits	5.239.170	3.688.458	5.025.896	3.664.677
	<b>Total current assets</b>	<b>81.660.536</b>	<b>97.818.471</b>	<b>104.734.996</b>	<b>115.539.092</b>
	<b>Total assets</b>	<b>196.314.764</b>	<b>196.929.807</b>	<b>161.212.317</b>	<b>172.700.070</b>



## Statement of financial position at 31 March

All amounts in DKK.

Equity and liabilities		Group		Parent	
		2020	2019	2020	2019
Note					
<b>Equity</b>					
14	Contributed capital	714.000	714.000	714.000	714.000
	Reserve for net revaluation according to the equity method	1.285.796	1.025.472	6.752.907	6.385.131
	Retained earnings	127.643.216	116.415.147	122.176.106	111.055.488
	Equity before non-controlling interest.	129.643.012	118.154.619	129.643.013	118.154.619
	Non-controlling interests	937.009	851.341	0	0
	<b>Total equity</b>	<b>130.580.021</b>	<b>119.005.960</b>	<b>129.643.013</b>	<b>118.154.619</b>
<b>Provisions</b>					
15	Provisions for deferred tax	6.428.689	6.925.977	2.664.662	3.921.312
	<b>Total provisions</b>	<b>6.428.689</b>	<b>6.925.977</b>	<b>2.664.662</b>	<b>3.921.312</b>
<b>Liabilities other than provisions</b>					
	Mortgage loans	10.549.669	3.952.353	2.909.343	3.042.005
	Other mortgage loans	3.995.888	0	0	0
	Bank loans	4.667.200	7.501.785	4.667.200	7.501.785
	Lease liabilities	18.689.997	17.773.924	6.035.285	6.243.228
	Other payables	2.070.580	0	1.688.095	0
16	Total long term liabilities other than provisions	39.973.334	29.228.062	15.299.923	16.787.018

## Statement of financial position at 31 March

All amounts in DKK.

		Group		Parent	
		2020	2019	2020	2019
<b>Equity and liabilities</b>					
<u>Note</u>					
16	Current portion of long term payables	6.020.893	14.834.151	3.385.291	12.821.365
	Bank loans	783.180	2.709.464	254	85
	Trade payables	8.333.412	15.737.291	5.856.681	12.851.690
	Income tax payable	1.552.707	5.226.324	1.552.707	5.226.324
	Income tax payable to group enterprises	0	0	855.558	322.410
	Other payables	<u>2.642.528</u>	<u>3.262.578</u>	<u>1.954.228</u>	<u>2.615.247</u>
	Total short term liabilities other than provisions	<u>19.332.720</u>	<u>41.769.808</u>	<u>13.604.719</u>	<u>33.837.121</u>
	<b>Total liabilities other than provisions</b>	<b><u>59.306.054</u></b>	<b><u>70.997.870</u></b>	<b><u>28.904.642</u></b>	<b><u>50.624.139</u></b>
	<b>Total equity and liabilities</b>	<b><u>196.314.764</u></b>	<b><u>196.929.807</u></b>	<b><u>161.212.317</u></b>	<b><u>172.700.070</u></b>
17	Charges and security				
18	Contingencies				
19	Related parties				

## Consolidated statement of changes in equity

All amounts in DKK.

	Contributed capital	Reserve for net revaluation according to the equity method	Retained earnings	Non-controlling interests	Total
Equity 1 April					
2019	714.000	1.025.472	116.415.147	851.341	119.005.960
Share of results	0	368.324	11.228.069	0	11.596.393
Dividend from associated company	0	-108.000	0	0	-108.000
Minority interests	0	0	0	85.668	85.668
	<b>714.000</b>	<b>1.285.796</b>	<b>127.643.216</b>	<b>937.009</b>	<b>130.580.021</b>

## Statement of changes in equity of the parent

All amounts in DKK.

	Contributed capital	Reserve for net revaluation according to the equity method	Retained earnings	Total
Equity 1 April 2019	714.000	6.385.132	111.055.488	118.154.620
Share of results	0	367.775	11.120.618	11.488.393
	<b>714.000</b>	<b>6.752.907</b>	<b>122.176.106</b>	<b>129.643.013</b>

## Statement of cash flows 1 April - 31 March

All amounts in DKK.

<u>Note</u>	Group	
	<u>2019/20</u>	<u>2018/19</u>
Net profit or loss for the year	11.574.061	25.933.884
20 Adjustments	17.758.541	20.536.148
21 Change in working capital	11.755.298	-28.817.812
Cash flows from operating activities before net financials	41.087.900	17.652.220
Interest received, etc.	165.128	111.961
Interest paid, etc.	-1.458.722	-1.532.837
Cash flows from ordinary activities	39.794.306	16.231.344
Income tax paid	-7.390.324	-3.600.854
<b>Cash flows from operating activities</b>	<b>32.403.982</b>	<b>12.630.490</b>
Purchase of intangible assets	-209.928	0
Purchase of property, plant, and equipment	-34.348.098	-8.455.942
Sale of property, plant, and equipment	136.175	67.055
Dividend received from associates	108.000	105.800
Other cash flows from (spent on) investment activities	-48.000	-75.000
<b>Cash flows from investment activities</b>	<b>-34.361.851</b>	<b>-8.358.087</b>
Increase of debt	5.630.189	0
Repayments of debt	0	-3.607.988
Leases	-2.121.608	-2.129.227
<b>Cash flow from financing activities</b>	<b>3.508.581</b>	<b>-5.737.215</b>
<b>Change in cash and cash equivalents</b>	<b>1.550.712</b>	<b>-1.464.812</b>
Cash and cash equivalents at 1 April 2019	3.688.458	5.153.270
<b>Cash and cash equivalents at 31 March 2020</b>	<b>5.239.170</b>	<b>3.688.458</b>
<b>Cash and cash equivalents</b>		
Cash on hand and demand deposits	5.239.170	3.688.458
<b>Cash and cash equivalents at 31 March 2020</b>	<b>5.239.170</b>	<b>3.688.458</b>

## Notes

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All amounts in DKK.

	Group		Parent	
	2019/20	2018/19	2019/20	2018/19
<b>1. Staff costs</b>				
Salaries and wages	28.182.297	25.385.209	21.661.244	20.016.914
Pension costs	2.127.420	1.887.906	1.700.162	1.500.675
Other costs for social security	718.589	551.925	577.248	469.284
	<b>31.028.306</b>	<b>27.825.040</b>	<b>23.938.654</b>	<b>21.986.873</b>
Average number of employees	54	40	40	33
<b>2. Other financial costs</b>				
Other financial costs	2.122.808	2.217.631	1.258.617	1.514.968
	<b>2.122.808</b>	<b>2.217.631</b>	<b>1.258.617</b>	<b>1.514.968</b>
<b>3. Tax on net profit or loss for the year</b>				
Tax of the results for the year	3.716.707	6.002.324	4.549.072	6.251.828
Adjustment for the year of deferred tax	-497.288	1.315.786	-1.256.650	811.097
	<b>3.219.419</b>	<b>7.318.110</b>	<b>3.292.422</b>	<b>7.062.925</b>
<b>4. Proposed appropriation of net profit</b>				
Reserves for net revaluation according to the equity method			367.775	731.273
Transferred to retained earnings			11.120.618	24.845.547
<b>Total allocations and transfers</b>			<b>11.488.393</b>	<b>25.576.820</b>

## Notes

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All amounts in DKK.

	Group		Parent	
	<u>31/3 2020</u>	<u>31/3 2019</u>	<u>31/3 2020</u>	<u>31/3 2019</u>
<b>5. Concessions, patents, licenses, trademarks, and similar rights acquired</b>				
Cost 1 April 2019	8.463.213	8.463.213	4.948.213	4.948.213
Additions during the year	<u>209.928</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Cost 31 March 2020</b>	<b><u>8.673.141</u></b>	<b><u>8.463.213</u></b>	<b><u>4.948.213</u></b>	<b><u>4.948.213</u></b>
Amortisation and writedown 1 April 2019	-5.158.367	-4.764.185	-4.528.200	-4.309.777
Amortisation for the year	<u>-394.173</u>	<u>-394.182</u>	<u>-218.423</u>	<u>-218.423</u>
<b>Amortisation and writedown 31 March 2020</b>	<b><u>-5.552.540</u></b>	<b><u>-5.158.367</u></b>	<b><u>-4.746.623</u></b>	<b><u>-4.528.200</u></b>
<b>Carrying amount, 31 March 2020</b>	<b><u>3.120.601</u></b>	<b><u>3.304.846</u></b>	<b><u>201.590</u></b>	<b><u>420.013</u></b>

## Notes

All amounts in DKK.

	Group		Parent	
	31/3 2020	31/3 2019	31/3 2020	31/3 2019
<b>6. Property</b>				
Cost 1 April 2019	33.842.031	22.539.275	25.450.079	14.894.914
Correction due to changes in accounting policies	0	9.076.101	0	9.076.101
Additions during the year	18.694.231	2.274.174	10.814.611	1.479.063
Disposals during the year	-9.651.993	-47.519	-9.651.993	0
<b>Cost 31 March 2020</b>	<b>42.884.269</b>	<b>33.842.031</b>	<b>26.612.697</b>	<b>25.450.078</b>
Depreciation and writedown 1 April 2019	-16.100.939	-14.851.246	-14.036.175	-13.082.838
Depreciation for the year	-1.403.219	-1.261.969	-951.168	-953.336
Reversal of depreciation, amortisation and writedown, assets disposed of	1.357.678	12.276	1.357.678	0
<b>Depreciation and writedown 31 March 2020</b>	<b>-16.146.480</b>	<b>-16.100.939</b>	<b>-13.629.665</b>	<b>-14.036.174</b>
<b>Carrying amount, 31 March 2020</b>	<b>26.737.789</b>	<b>17.741.092</b>	<b>12.983.032</b>	<b>11.413.904</b>
Right of use assets (financial leases) depreciation for the year	566.477	703.229	566.477	703.229
Right of use assets (financial leases) are recognised at a carrying amount of	297.424	9.038.631	297.424	9.038.631

## Notes

All amounts in DKK.

	Group		Parent	
	31/3 2020	31/3 2019	31/3 2020	31/3 2019
<b>7. Plant and machinery</b>				
Cost 1 April 2019	126.480.030	89.254.531	73.562.983	59.491.402
Correction due to changes in accounting policies	0	18.174.031	0	6.416.053
Additions during the year	15.291.793	22.443.473	4.113.810	7.655.527
Disposals during the year	-499.783	-3.392.005	-499.783	0
<b>Cost 31 March 2020</b>	<b>141.272.040</b>	<b>126.480.030</b>	<b>77.177.010</b>	<b>73.562.982</b>
Revaluation 1 April 2019	1.800.000	1.800.000	0	0
<b>Revaluation 31 March 2020</b>	<b>1.800.000</b>	<b>1.800.000</b>	<b>0</b>	<b>0</b>
Depreciation and writedown 1 April 2019	-55.777.293	-47.050.316	-37.743.393	-32.141.000
Depreciation for the year	-9.656.976	-8.816.252	-5.570.911	-5.602.393
Reversal of depreciation, amortisation and writedown, assets disposed of	409.647	89.275	409.647	0
<b>Depreciation and writedown 31 March 2020</b>	<b>-65.024.622</b>	<b>-55.777.293</b>	<b>-42.904.657</b>	<b>-37.743.393</b>
<b>Carrying amount, 31 March 2020</b>	<b>78.047.418</b>	<b>72.502.737</b>	<b>34.272.353</b>	<b>35.819.589</b>
Right of use assets (financial leases) depreciation for the year	1.083.630	971.160	229.513	229.512
Right of use assets (financial leases) are recognised at a carrying amount of	18.786.592	17.789.204	5.957.028	6.186.541



## Notes

All amounts in DKK.

	Group		Parent	
	31/3 2020	31/3 2019	31/3 2020	31/3 2019
<b>8. Other fixtures and fittings, tools and equipment</b>				
Cost 1 April 2019	9.112.073	7.981.800	5.522.971	5.301.432
Correction due to changes in accounting policies	0	321.110	0	0
Additions during the year	964.378	809.163	167.900	221.538
Disposals during the year	-1.785.440	0	-1.744.280	0
<b>Cost 31 March 2020</b>	<b>8.291.011</b>	<b>9.112.073</b>	<b>3.946.591</b>	<b>5.522.970</b>
Depreciation and writedown 1 April 2019	-6.330.434	-5.353.213	-4.205.630	-3.616.650
Depreciation for the year	-922.764	-977.221	-442.841	-588.979
Reversal of depreciation, amortisation and writedown, assets disposed of	1.122.501	0	1.116.319	0
<b>Depreciation and writedown 31 March 2020</b>	<b>-6.130.697</b>	<b>-6.330.434</b>	<b>-3.532.152</b>	<b>-4.205.629</b>
<b>Carrying amount, 31 March 2020</b>	<b>2.160.314</b>	<b>2.781.639</b>	<b>414.439</b>	<b>1.317.341</b>
Right of use assets (financial leases) depreciation for the year	86.153	75.517	0	0
Right of use assets (financial leases) are recognised at a carrying amount of	457.377	523.484	0	0

## Notes

All amounts in DKK.

	Group		Parent	
	31/3 2020	31/3 2019	31/3 2020	31/3 2019
<b>9. Property, plant, and equipment under construction including pre-payments for property, plant, and equipment</b>				
Cost 1 April 2019	183.700	12.444.215	0	0
Additions during the year	1.498.760	0	0	0
Disposals during the year	0	-12.260.515	0	0
<b>Cost 31 March 2020</b>	<b>1.682.460</b>	<b>183.700</b>	<b>0</b>	<b>0</b>
<b>Carrying amount, 31 March 2020</b>	<b>1.682.460</b>	<b>183.700</b>	<b>0</b>	<b>0</b>
<b>10. Equity investments in group enterprises</b>				
Acquisition sum, opening balance 1 April 2019			500.000	500.000
<b>Cost 31 March 2020</b>			<b>500.000</b>	<b>500.000</b>
Revaluations, opening balance 1 April 2019			7.690.132	6.883.858
Results for the year			415.775	806.273
<b>Revaluation 31 March 2020</b>			<b>8.105.907</b>	<b>7.690.131</b>
<b>Carrying amount, 31 March 2020</b>			<b>8.605.907</b>	<b>8.190.131</b>
<b>Group enterprises:</b>				
			<b>Domicile</b>	<b>Equity interest</b>
Loejstrup Dambrug A/S			Goerlev	100 %
Vingsted-Kobberbaek A/S			Bredsten	60 %

## Notes

All amounts in DKK.

	Group		Parent	
	31/3 2020	31/3 2019	31/3 2020	31/3 2019
<b>11. Equity investments in associates</b>				
Acquisition sum, opening balance 1 April 2019	1.006.850	1.006.850	740.000	740.000
<b>Cost 31 March 2020</b>	<b>1.006.850</b>	<b>1.006.850</b>	<b>740.000</b>	<b>740.000</b>
Revaluation, opening balance 1 April 2019	1.025.472	815.392	-1.305.000	-1.230.000
Results for the year before goodwill amortisation	368.324	315.880	-48.000	-75.000
Dividend	-108.000	-105.800	0	0
<b>Revaluation 31 March 2020</b>	<b>1.285.796</b>	<b>1.025.472</b>	<b>-1.353.000</b>	<b>-1.305.000</b>
Offsetting against debtors	613.000	565.000	613.000	565.000
<b>Set off against debtors and provisions for liabilities</b>	<b>613.000</b>	<b>565.000</b>	<b>613.000</b>	<b>565.000</b>
<b>Carrying amount, 31 March 2020</b>	<b>2.905.646</b>	<b>2.597.322</b>	<b>0</b>	<b>0</b>
<b>Associated enterprises:</b>				
			<b>Domicile</b>	<b>Equity interest</b>
Brejnholm Dambrug ApS			Toerring	33,33 %
Bornholms Havbrug A/S			Nexoe	38,94 %
<b>12. Inventory</b>				
Raw materials and consumables	674.133	1.039.652	0	0
Indirect production cost concerning fish production	5.103.322	5.308.812	5.103.322	5.308.812
Produced and purchased trade goods	20.569.638	35.804.679	20.569.638	35.804.679
Biological assets	34.447.174	27.832.796	0	0
	<b>60.794.267</b>	<b>69.985.939</b>	<b>25.672.960</b>	<b>41.113.491</b>

## Notes

All amounts in DKK.

	Group		Parent	
	31/3 2020	31/3 2019	31/3 2020	31/3 2019
<b>13. Prepayments and accrued income</b>				
Other prepayments	1.194.336	1.634.368	958.336	1.358.661
Prepaid tax	1.582.000	1.082.000	1.582.000	1.082.000
	<b>2.776.336</b>	<b>2.716.368</b>	<b>2.540.336</b>	<b>2.440.661</b>

### 14. Contributed capital

Contributed capital 1 April 2019	714.000	714.000	714.000	714.000
	<b>714.000</b>	<b>714.000</b>	<b>714.000</b>	<b>714.000</b>

The share capital consists of 714,000 shares, each with a nominal value of DKK 1.00. No shares hold particular rights.

### 15. Provisions for deferred tax

Provisions for deferred tax 1 April 2019	6.925.977	5.610.191	3.921.312	3.110.215
Deferred tax of the results for the year	-497.288	1.315.786	-1.256.650	811.097
	<b>6.428.689</b>	<b>6.925.977</b>	<b>2.664.662</b>	<b>3.921.312</b>

The following items are subject to deferred tax:

Intangible assets	461.944	438.191	44.350	92.513
Property, plant, and equipment	7.811.188	9.468.720	3.746.746	5.826.024
Current assets	2.579.520	3.101.480	289.072	1.389.206
Liabilities	-4.423.963	-6.082.414	-1.415.506	-3.386.431
	<b>6.428.689</b>	<b>6.925.977</b>	<b>2.664.662</b>	<b>3.921.312</b>

## Notes

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All amounts in DKK.

### 16. Liabilities other than provision

Group	Total payables 31 Mar 2020	Current portion of long term payables	Long term payables 31 Mar 2020	Outstanding payables after 5 years
Mortgage loans	11.341.592	791.923	10.549.669	7.333.838
Other mortgage loans	5.127.971	1.132.083	3.995.888	970.564
Bank loans	7.501.785	2.834.585	4.667.200	0
Lease liabilities	19.952.299	1.262.302	18.689.997	14.823.730
Other payables	2.070.580	0	2.070.580	0
	<b>45.994.227</b>	<b>6.020.893</b>	<b>39.973.334</b>	<b>23.128.132</b>
<b>Parent</b>				
Mortgage loans	3.103.639	194.296	2.909.343	2.113.513
Bank loans	7.501.785	2.834.585	4.667.200	0
Lease liabilities	6.391.695	356.410	6.035.285	5.311.372
Other payables	1.688.095	0	1.688.095	0
	<b>18.685.214</b>	<b>3.385.291</b>	<b>15.299.923</b>	<b>7.424.885</b>

### 17. Charges and security

Spar Nord Bank A/S has, as collateral for all debt with the parent company (Musholm A/S), received a letter of indemnity (business mortgages) nom. TDKK 30.000.

Spar Nord Bank A/S has, as collateral for debt concerning the parent company (Musholm A/S), received a letter of indemnity nom. TDKK 5.848 in feeding fleet Niels Bjoern, which under production equipment has a book value of TDKK 2.830.

Spar Nord Bank A/S has, as collateral for debt concerning the parent company (Musholm A/S), received a mortgage deed nom. TDKK 11.000 with pledge in buildings on cadastre no. 90b Reersoe By, which has a book value of TDKK 3.395.

Spar Nord Bank A/S has, as collateral for debt concerning the parent company (Musholm A/S), received a letter of indemnity nom. TDKK 4.358 in feeding fleet Thor Anton, which under production equipment has a book value of TDKK 779.

## Notes

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All amounts in DKK.

### 17. Charges and security (continued)

Spar Nord Bank A/S has, as collateral for debt concerning the parent company (Musholm A/S), received a letter of indemnity nom. TDKK 4.000 with pledge in leasehold rights in buildings on leased land cadastre no. 90b Reersoe By.

Spar Nord Bank A/S has, as collateral for debt concerning the parent company (Musholm A/S), received a letter of indemnity nom. TDKK 4.000 in working boat Mari, which under production equipment has a book value of TDKK 3.079.

Spar Nord Bank A/S has as security for the consolidated debt received letter of indemnity nom. 6.500 thousand secured by property registration number 5a Leojstrup HGD which represent a book value of TDKK 2.247 at 31 March 2020.

As security for mortgage debt is given a pledge in buildings, which has a book value of TDKK 754.

As collateral for mortgage loans, TDKK 7.679, security has been granted on land and buildings representing a carrying amount of TDKK 6.753 at 31 March 2020.

### 18. Contingencies

#### Contingent liabilities

The company guarantees for the subsidiary's debt to Spar Nord Bank A/S. As of 31/3 2020 the debt amounts to TDKK 783. The company has also submitted a statement of support towards Loejstrup Dambrug A/S in terms of making the necessary liquidity available for the implementation of the subsidiary's operating and investing activities so far to the end of March 2021.

#### Joint taxation

The company acts as administration company for the group of companies subject to the Danish scheme of joint taxation and is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, to pay the total corporation tax.

The company is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for any obligations to withhold tax on interest, royalties, and dividends.

Any subsequent adjustments of corporate taxes or withholding taxes, etc., may result in changes in the company's liabilities.

## Notes

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All amounts in DKK.

### 19. Related parties

#### Transactions

According to the Danish Financial Statements Act section 98 c transactions with related parties are not disclosed as all transactions have been affected at arm's length.

	Group	
	<u>2019/20</u>	<u>2018/19</u>
<b>20. Adjustments</b>		
Depreciation, amortisation, and impairment	12.377.124	11.449.623
Profit/loss from sale of fixed assets	751.507	0
Income from equity investments in associates	-368.324	-315.880
Other financial income	-165.128	-111.961
Other financial costs	2.122.808	2.217.630
Tax on net profit or loss for the year	3.219.419	7.318.110
Other adjustments	-178.865	-21.374
	<u><b>17.758.541</b></u>	<u><b>20.536.148</b></u>
<b>21. Change in working capital</b>		
Change in inventories	9.191.672	-20.536.609
Change in receivables	8.516.975	-12.303.074
Change in trade payables and other payables	-5.953.349	4.021.871
	<u><b>11.755.298</b></u>	<u><b>-28.817.812</b></u>

## Accounting policies

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The annual report for Musholm A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class C enterprises (medium sized enterprises).

### Changes in the accounting policies

The enterprise has opted for early adoption of Act no 1716 of 27 December 2018 on amending the Danish Financial Statements Act, etc., thereby changing accounting policies in the following areas:

- IFRS 15 will be applied as the basis of interpretation for the recognition of revenue
- IFRS 16 will be applied as the basis of interpretation for the classification and recognition of leases
- IAS 41 will be applied as the basis of interpretation for the classification and recognition of biological assets (biomass)

Consequences arising from the change in accounting policies are described below.

### Change in accounting policies for revenue

The enterprise has chosen to apply IFRS 15 as the basis for interpretation in relation to recognition of revenue.

The enterprise will be applying the standard retrospectively with the accumulative effect of the initial application being recognised in equity opening balance, 2018/19 (full retrospective application).

The company has assessed the effect of adopting IFRS 15 and has concluded that there is no effect to the financial statements.

### Change of accounting policies for leases

The enterprise has chosen to apply IFRS 16 as the basis for interpretation in relation to the classification and recognition of leases.

The enterprise will be applying the standard retrospectively with the accumulative effect of the initial application being recognised in equity opening balance 2018/19, (full retrospective application). The comparative figures for 2018/19 have been adjusted.

IFRS 16 no longer differentiates between operating and financial leases. Unlike previously, all leases are, with a few exceptions, recognised in the statement of financial position. Thus, previous operating leases are recognised in the opening balance at 1 April 2018.

Lease liabilities are recognised at a value corresponding to the present value of the remaining lease payments discounted by the enterprise's marginal borrowing rate for the relevant asset types at 1 April 2018. Right-of-use assets are recognised at a value corresponding to the imputed lease liability adjusted for prepayments.



## Accounting policies

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For earlier financial leases, measurement of the carrying amount of the right-of-use asset corresponds to the earlier carrying amount of the asset at 31 March 2018. Similarly, the lease is measured at the earlier carrying amount of the lease liability at 31 March 2018.

As of 31 March 2020, the accumulated effects of the changes in accounting policies are:

- Profit for the year before tax is reduced by TDKK 90 (loss).
- Tax for the year of the change in accounting policies amounts to TDKK 7 (loss).
- Profit for the year after tax is reduced by TDKK 97 (loss).
- The total of the statement of financial position is increased by TDKK 6.151.
- Equity is decreased by TDKK 97.

For 2018/19, profit for the year after tax was reduced by TDKK 197, the total of the statement of financial position increased by TDKK 15.158 as of 31 March 2019, and equity decreased by TDKK 197 as of 31 March 2019.

### **Change of accounting policies for biological assets (biomass)**

The enterprise has chosen to apply IAS 41 as the basis for interpretation in relation to the classification and recognition of biological assets (biomass).

The enterprise will be applying the standard retrospectively with the accumulative effect of the initial application being recognised in equity opening balance 2018/19, (full retrospective application). The comparative figures for 2018/19 have been adjusted.

IAS 41 requires biomass to be accounted for at the estimated fair value net of sales costs and harvesting costs. The calculation of the estimated fair value is based on market prices for harvested fish. In the accounts, the change in estimated fair value is entered to the income statement on a continuous basis.

As of 31 March 2020, the accumulated effects of the changes in accounting policies are:

- An increase in inventory of TDKK 1.314.
- Profit for the year before tax is reduced by TDKK 5.001 (loss).
- Tax for the year of the change in accounting policies amounts to TDKK 1.100 (profit).
- Profit for the year after tax is reduced by TDKK 3.901 (loss).
- The total of the statement of financial position is increased by TDKK 1.314.
- Equity is decreased by TDKK 3.901.

For 2018/19, profit for the year after tax was increased by TDKK 3.130, the total of the statement of financial position increased by TDKK 6.314 as of 31 March 2019, and equity increased by TDKK 3.130 as of 31 March 2019 (TDKK 1.796 as of 1 April 2019).

Except the above changes the accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

Some reclassifications have been made in the comparative figures.

## Accounting policies

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### Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the group and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the group and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

### Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of transaction. Exchange rate differences arising between the rate at the date of transaction and the rate at the date of payment are recognised in the income statement as an item under net financials.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Fixed assets and other non-monetary assets acquired in foreign currency and not considered to be investment assets are measured using the exchange rate at the transaction date.

## Accounting policies

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### **The consolidated financial statements**

The consolidated income statements comprise the parent company Musholm A/S and those group enterprises of which Musholm A/S directly or indirectly owns more than 50 % of the voting rights or in other ways exercise control. According to the group overview, enterprises in which the group owns between 20 and 50 % of the voting rights and exercises considerable, but not dominant, control are considered associates.

In the consolidation process, intercompany income and expenses, shareholding, intercompany balances and dividends, and realised and unrealised profit and loss derived from transactions among the consolidated enterprises will be eliminated.

Equity investments in group enterprises are eliminated by the proportional share of the group enterprises' trade value of net assets and liabilities at the date of acquisition.

### **Non-controlling interests**

The items of the group enterprises are fully recognised in the consolidated financial statement. The proportionate share of non-controlling interests as regards the profit and equity of the group enterprises are adjusted annually and presented as a separate item at the end of the income statement and as a separate item under equity, respectively.

## Income statement

### **Gross profit**

Gross profit comprises the revenue, changes in inventories of finished goods, and work in progress, work performed for own account and capitalised, other operating income, and external costs.

The enterprise will be applying IFRS 15 as its basis of interpretation for the recognition of revenue.

The revenue is recognised when the control of the identifiable individual performance obligations has been performed in respect of the customer whereby the customer gains control of the asset or the service. Sales remunerations are allocated proportionally to the individual performance obligations in the agreement.

Revenue is measured at fair value of agreed remunerations, less VAT and expenses. All forms of discount are recognised in revenue.

Revenue from contracts, including variable considerations such as quantity discounts and performance-related payments are recognised at the most probable consideration value. Revenue is not recognised until it is deemed most likely that changes in the estimated variable consideration will not subsequently result in the reversal of a material part of the amount, thus reducing revenue.

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

## Accounting policies

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Other external costs comprise costs incurred for distribution, sales, advertising, administration, premises and loss on receivables.

### Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members. Staff costs are less government reimbursements.

### Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

### Other operating costs

Other operating costs comprise items of secondary nature as regards the principal activities of the enterprise, including losses on the disposal of intangible and tangible assets.

### Financial income and expenses

Financial income and expenses comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the income statement with the amounts concerning the financial year.

### Results from equity investments in group enterprises and associates

After full elimination of intercompany profit or loss less amortised consolidated goodwill, the equity investment in the individual group enterprises are recognised in the income statement of the parent as a proportional share of the group enterprises' post-tax profit or loss.

After full elimination of intercompany profit or loss less amortised of consolidated goodwill, the equity investment in the individual associates are recognised in the income statement of both the group and the parent as a proportional share of the associate' post-tax profit or loss.

### Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

The parent and the Danish group enterprises are subject to Danish rules on compulsory joint taxation of Danish group enterprises. The parent acts as an administration company in relation to the joint taxation. This means that the total Danish income tax payable by the Danish group companies is paid to the tax authorities by the company.

The current Danish income tax is allocated among the jointly taxed companies proportional to their respective taxable income (full allocation with reimbursement of tax losses).

## Accounting policies

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### Statement of financial position

#### Intangible assets

##### Farming licenses and rights

Farming licenses and rights are measured at cost with deduction of accrued amortisation. Farming licenses and rights are amortised on a straight line basis over 20 years.

Farming licenses and rights are without any time limit and depreciation is therefore according to maximum of useful life.

##### Property, plant, and equipment

Property is measured at cost plus revaluations and less accrued depreciation and writedown for impairment. Land is not subject to depreciation.

Property is revaluated on the basis of regular, independent fair-value assessments. Net revaluation at fair value adjustment is recognised directly in equity less deferred tax and tied up in a particular revaluation reserve. Net impairment loss at fair value adjustment is recognised in the income statement.

The depreciable amount is cost plus revaluations at fair value less expected residual value after the end of the useful life of the asset. The amortisation period is fixed at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount of the asset, depreciation is discontinued.

Reversal of previous revaluations and recognised deferred taxes concerning revaluations are recognised directly in company equity.

Other property, plant, and equipment are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately when the useful lives of each individual components differ.

## Accounting policies

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Depreciation is done on a straight-line basis according to an assessment of the expected useful life and the residual value of the individual assets:

	Useful life	Residual value
Buildings	20 years	20 %
Plant and machinery	5-10 years	0-20 %
Other fixtures and fittings, tools and equipment	5 years	0-20 %

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

### Right-of-use assets

The enterprise will be applying IFRS 16 as its basis of interpretation for the recognition of classification and recognition of leases.

Leases pertaining to property, plant, and equipment for which the enterprise has the right-of-use are recognised in the statement of financial position as right-of-use assets. The assets are, at initial recognition, measured at imputed cost, consisting of:

- The imputed lease liability
- Any lease payments paid prior to – or on – the starting date, less any lease incentives received
- Any direct start-up costs
- Any restoring costs

Hereafter, recognised leased assets are treated like the enterprise's remaining property, plant, and equipment.

Lease liabilities are recognised in the statement of financial position as liabilities other than provision and are measured, at initial recognition, at the present value of lease payments payable over the lease term. This includes a purchase option in the event that the enterprise expects to purchase the right-of-use asset. When determining the present value, the internal rate of return or, alternatively, the enterprise's borrowing rate is applied as discount rate.

Hereafter, the lease liability is treated like the remaining financial liabilities, i.e. at amortised cost.

The interest element of the lease payments is recognised in the income statement over the contractual term.

The following leases are not recognised as assets and liabilities in the statement of financial position:

- Leases with a duration of twelve months or less (short leases)
- Leases where the replacement value of the asset is less than DKK 30,000. (low-value assets)

## Accounting policies

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For such leases, the lease payment is recognised in the income statement as an expense on a linear basis over the lease term.

### **Impairment loss relating to non-current assets**

The carrying amount of both intangible and tangible assets as well as equity investments in subsidiaries and associates are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation, respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net cash flow derived from the use of the asset or group of assets.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

### **Investments**

#### **Equity in group enterprises and associates**

Equity in group enterprises and associates recognised in the statement of financial position as a proportional share of the enterprise's equity value. This is calculated on the basis of the accounting policies of the parent less/plus unrealised intercompany profits and losses, and less/plus residual value of positive or negative goodwill measured by applying the purchase method.

Group enterprises and associates with negative equity are recognised at no value and, to the extent they are considered irrevocable, amounts owed by these companies are made subject to impairment by the parent's share of the equity. If the negative equity exceeds the receivables, the residual amount is recognised under liability provisions to the extent that the parent has a legal or actual liability to cover the negative equity of these subsidiaries.

To the extent the equity exceeds the cost, the net revaluation of equity investments in group enterprises and associates are transferred to the reserve under equity for net revaluation according to the equity method. Dividends from group enterprises expected to be adopted before the approval of this annual report are not subject to a limitation of the revaluation reserve. The reserve is adjusted by other equity movements in group enterprises and associates.

#### **Inventories**

Raw materials and auxiliaries are measured at cost.

## Accounting policies

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Works in progress and manufactured goods are measured at cost comprising costs of raw materials and auxiliaries with the addition of production costs as well as other costs that can directly or indirectly be attributed to the produced goods.

Trade goods are measured at cost or net realization value if this is lower.

### **Biological assets (biomass)**

IAS 41 requires biomass to be accounted for at the estimated fair value net of sales costs and harvesting costs. The calculation of the estimated fair value is based on market prices for harvested fish. In the accounts, the change in estimated fair value is entered to the income statement on a continuous basis.

The group's biological assets are trouts at all stages of the life cycle. The fish is divided into two main groups, depending on the stage of the life cycle. The first group is fish produced on land in fresh water. The second is, when the fish is released to sea.

For the first group, historical cost is deemed a reasonable approach to fair value, as there is little biological transformation. This assessment must be seen in the light of the fact that smolts are currently released to sea at a stage, when their weight is still relatively low.

For the second group, the fair value is calculated by applying a present value model at level 3 in the fair value hierarchy in IFRS 13 using the principle "highest and best use" in IFRS 13.

#### The valuation model

The valuation model calculates the net present value of expected cash flow from biological assets.

Changes to estimated fair value of biological assets are presented on the line Fair value adjustments of biological assets in the Income Statement.

The measurement unit is the individual fish.

Main components in the model are: Volume, Production costs, Sales price and Discount rate.

#### Volume

Estimated harvest volume is based on the actual number of fish in the sea on the balance sheet date, minus estimated future mortality from balance sheet date and multiplied by optimal harvest weight per fish.

#### Cost

Estimated future costs are based on the Group's prognoses per locality. Cost comprises mainly feed-, production-, harvest- and transport costs.

#### Price

Estimated prices are based on externally quoted prices from Fish Pool.



## Accounting policies

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Fish Pool is a market place for financial purchase and sale agreements for superior Norwegian salmon size 3 – 6 kg gutted weight. The volume on Fish Pool is however limited. This market is therefore initially to be insufficiently active and effective. To further qualify the estimated prices for the forward prices of trout the relation to the forward salmon price of Fish Pool is adjusted with relation to the official price data from Norsk Sjømat Råd and official price data from Danmarks Statistik.

The prices are reduced for harvesting costs, freight costs to market to arrive at a net value back-to-farm. The valuation also reflects the expected quality grading.

### Discounts

The estimated future cash flow is discounted. The discount rate at 31 March 2020 is estimated to be 6%. The discount rate takes into account a risk adjustment and time value. The risk adjustment takes into account the volatility in volume, cost and price.

### Mortality

Mortality above normal will be accounted for, when a farming site either experiences elevated mortality over time or mortality due to an incident.

Costs related to abnormal mortality will be recognized in the Income Statement and presented on the line for changes in inventory, while normal mortality is classified as part of production costs.

### Receivables

Receivables are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, they are written down for impairment to the net realisable value.

### Prepayments and accrued income

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

### Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank and on hand.

### Equity

#### Reserve for net revaluation according to the equity method

The reserve for net revaluation according to the equity method comprises net revaluation of equity investments in subsidiaries and associates proportional to cost.

The reserve may be eliminated in the event of losses, realisation of equity investments, or changes in the accounting estimates.

The reserve cannot be recognised by a negative amount.

## Accounting policies

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### Income tax and deferred tax

Current tax receivables and tax liabilities are recognised in the statement of financial position with the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivables and tax liabilities are offset to the extent that a legal right of set-off exists and the items are expected to be settled net or simultaneously.

Musholm A/S is jointly taxed with the Danish group companies and acts, in this respect, as the administration company. According to the rules of joint taxation, Musholm A/S is unlimitedly, jointly, and severally liable to pay the Danish tax authorities the total income tax, including withholding tax on interest, royalties, and dividends, arising from the jointly taxed group of companies.

Joint taxation contributions payable and receivable are recognised in the statement of financial position as "Income tax receivable" or "Income tax payable".

Deferred tax is tax on all temporary differences in the carrying amount and tax base of assets and liabilities measured on the basis of the planned application of the asset and disposal of the liability, respectively.

Deferred tax assets, including the tax value of tax losses eligible for carryforward, are recognised at their expected realisable value, either by settlement against tax of future earnings or by setoff in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisation value.

Deferred tax is measured on the basis of the tax rules and tax rates of applicable legislation at the reporting date and prevailing when the deferred tax is expected to be released as current tax.

### Provisions

The group enters into sales contract for trouts etc. on an on-going basis. The contracts involve physical settlement, and deliveries associated with the contracts, form part of the group's normal business activities. The contracts contain no built-in derivative elements.

With respect to fixed-price contracts, which results in the group being obligated to sell trouts etc. at a price less than production cost (including fair value adjustment of raw materials at the point of harvesting), the contracts are considered onerous, and provisions are calculated and entered to the statement of financial position. The provision is charged to the Income Statement.

### Liabilities other than provisions

Mortgage loans and bank loans are thus measured at amortised cost which, for cash loans, corresponds to the outstanding payables. For bond loans, the amortised cost corresponds to an outstanding payable calculated as the underlying cash value at the date of borrowing, adjusted by amortisation of the market value on the date of the borrowing effectuated over the repayment period.

## Accounting policies

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Also, capitalised residual leasing liabilities associated with financial leasing contracts are recognised in the financial liabilities.

Other liabilities other than provisions are measured at amortised cost which usually corresponds to the nominal value.

### Statement of cash flows

The statement of cash flows shows group cash flows for the year divided into cash flows derived from operating activities, investment activities, and financing activities, respectively, changes in cash and cash equivalents, and cash and cash equivalents at the beginning and end of the year, respectively.

The effect on cash flows derived from the acquisition and sale of enterprises appears separately under cash flows from investment activities. In the statement of cash flows, cash flows derived from acquirees are recognised as of the date of acquisition, and cash flows derived from sold enterprises are recognised until the date of sale.

#### Cash flows from operating activities

Cash flows from operating activities are calculated as the profit or loss for the year adjusted for noncash operating items, changes in the working capital, and income tax paid.

#### Cash flows from investment activities

Cash flows from investment activities comprise payments in connection with the acquisition and sale of enterprises and activities as well as the acquisition and sale of intangible assets, property, plant, and equipment, and investments, respectively.

#### Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the share capital and associated costs. Furthermore, cash flows comprise borrowings, repayments of interest-bearing payables, and payments of dividend to the shareholders.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and shortterm financial instruments with a term of less than 3 months, which can easily be converted into cash and cash equivalents and are associated with an insignificant risk of value change.