

# Graff Growing A/S

Viborgvej 717A, 8471 Sabro

Company reg. no. 21 80 30 06

## Annual report

**2019/20**

The annual report was submitted and approved by the general meeting on the 20 January 2021.

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**Ole Elmegaard Mortensen**

Chairman of the meeting

**Notes:**

- To ensure the greatest possible applicability of this document, IAS/IFRS 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 %.

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## Management's report

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Today, the board of directors and the managing director have presented the annual report of Graff Growing A/S for the financial year 2019/20.

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 financial statements provide a fair presentation of the company's assets, equity and liabilities, and financial position at 30 September 2020 and of the company's results of activities in the financial year 1 October 2019 – 30 September 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.

Sabro, 20 January 2021

### Managing Director

Gert Graff

### Board of directors

Ole Elmegaard Mortensen

Erik Bo Christensen

Poul Graff

## Independent auditor's report

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### To the shareholders of Graff Growing A/S

#### Opinion

We have audited the financial statements of Graff Growing A/S for the financial year 1 October 2019 - 30 September 2020, which comprise accounting policies, income statement, statement of financial position, statement of changes in equity and notes. The financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements present a fair view of the company's assets, equity and liabilities, and financial position at 30 September 2020 and of the results of the company's activities for the financial year 1 October 2019 - 30 September 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 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 financial statements

Management is responsible for the preparation of 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report 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 financial statements.

## Independent auditor's report

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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 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 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 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 company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and contents of the financial statements, including disclosures in notes, and whether the financial statements reflect the underlying transactions and events in a manner that presents a fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control that we identify during our audit.

### Statement on the management commentary

Management is responsible for the management commentary.

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

## Independent auditor's report

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In connection with our audit of the financial statements, it is our responsibility to read the management commentary and to consider whether the management commentary is materially inconsistent with 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 management commentary is consistent with 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.

Aarhus, 20 January 2021

### **Redmark**

State Authorised Public Accountants  
Company reg. no. 29 44 27 89

**Morten Ryberg Nielsen**

State Authorised Public Accountant  
mne33221

## Company information

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**The company**

Graff Growing A/S  
Viborgvej 717A  
8471 Sabro

Phone                    87453333  
Fax                        86242480  
Web site                [www.graff.dk](http://www.graff.dk)

Company reg. no.    21 80 30 06  
Established:        16 June 1999  
Domicile:  
Financial year:      1 October - 30 September

**Board of directors**

Ole Elmegaard Mortensen  
Erik Bo Christensen  
Poul Graff

**Managing Director**

Gert Graff

**Auditors**

Redmark  
Statsautoriseret Revisionspartnerselskab  
Sommervej 31C  
8210 Aarhus V

**Bankers**

Nordea, Danmark

**Lawyer**

Advokatfirma Hjulmand Kaptain

## Management commentary

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### **The principal activities of the company**

The company's main activity, as in previous years, consists of the production and sale of potted plants.

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

The gross profit for the year amounts to DKK 13.389.000 compared to DKK 13.243.000 last year. The ordinary post-tax result amounts to DKK 2.312.000 compared to DKK 1.114.000 last year. Management considers the result for the year to be satisfying.

The annual result is affected by Graff Young Plants A/S by DKK 6t. The result of Graff Young Plants A / S is in accordance with the expectations and with the plan that has been laid for the company establishment and development. It is expected that the company will be able to restore capital through future operations, and the owners have, on the basis of this, undertaken to support the company with the necessary liquidity in the coming accounting period.

The annual result has been positively affected by the conclusion of a settlement in a case back from 2015-2016.

The company continues to work on strengthening the close relationship with the largest customers and expanding new markets.

The focus remains 100% on the long-term initiatives to secure the company's position and earnings.

### **Expected developments**

The company expects a positive operating and profit development and has the necessary liquidity to implement any necessary strategic measures.

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

After the balance sheet date, no significant events have occurred that are deemed to be significant influence on the assessment of the financial statements.



## Income statement 1 October - 30 September

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All amounts in DKK.

<u>Note</u>	<u>2019/20</u>	<u>2018/19</u>
<b>Gross profit</b>	<b>13.389.389</b>	<b>13.242.882</b>
1 Staff costs	-8.082.478	-8.509.595
Depreciation and impairment of property, land, and equipment	-1.950.588	-2.052.280
Other operating costs	-41.903	-185.302
<b>Profit before net financials</b>	<b>3.314.420</b>	<b>2.495.705</b>
Income from equity investments in group enterprises	5.921	-536.841
Other financial income from group enterprises	14.200	5.358
Other financial income	57.465	37.186
Other financial costs	-421.588	-403.944
<b>Pre-tax net profit or loss</b>	<b>2.970.418</b>	<b>1.597.464</b>
Tax on net profit or loss for the year	-658.077	-483.016
<b>Net profit or loss for the year</b>	<b>2.312.341</b>	<b>1.114.448</b>
<b>Proposed appropriation of net profit:</b>		
Dividend for the financial year	2.000.000	800.000
Transferred to retained earnings	312.341	314.448
<b>Total allocations and transfers</b>	<b>2.312.341</b>	<b>1.114.448</b>

## Statement of financial position at 30 September

All amounts in DKK.

<u>Note</u>	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
<b>Non-current assets</b>		
2 Property	13.166.081	14.326.361
3 Other fixtures and fittings, tools and equipment	3.105.175	3.249.101
Total property, plant, and equipment	<u>16.271.256</u>	<u>17.575.462</u>
4 Equity investments in group enterprises	<u>0</u>	<u>0</u>
Total investments	<u>0</u>	<u>0</u>
<b>Total non-current assets</b>	<b><u>16.271.256</u></b>	<b><u>17.575.462</u></b>
<b>Current assets</b>		
Raw materials and consumables	383.968	309.993
Work in progress	2.336.992	2.281.966
Total inventories	<u>2.720.960</u>	<u>2.591.959</u>
Trade receivables	3.077.691	3.460.520
Receivables from group enterprises	349.646	363.083
Other receivables	641.755	364.612
Prepayments and accrued income	207.387	87.036
Total receivables	<u>4.276.479</u>	<u>4.275.251</u>
Cash on hand and demand deposits	<u>6.891.723</u>	<u>3.897.708</u>
<b>Total current assets</b>	<b><u>13.889.162</u></b>	<b><u>10.764.918</u></b>
<b>Total assets</b>	<b><u>30.160.418</u></b>	<b><u>28.340.380</u></b>

## Statement of financial position at 30 September

All amounts in DKK.

<b>Equity and liabilities</b>		<u>2020</u>	<u>2019</u>
<u>Note</u>			
<b>Equity</b>			
	Contributed capital	780.000	780.000
	Retained earnings	3.501.053	3.002.301
	Proposed dividend for the financial year	2.000.000	800.000
	<b>Total equity</b>	<b><u>6.281.053</u></b>	<b><u>4.582.301</u></b>
<b>Provisions</b>			
	Provisions for deferred tax	2.340.591	2.461.845
	<b>Total provisions</b>	<b><u>2.340.591</u></b>	<b><u>2.461.845</u></b>
<b>Liabilities other than provisions</b>			
	Mortgage loans	13.966.764	14.985.871
	Income tax payable	831.908	0
5	Total long term liabilities other than provisions	<u>14.798.672</u>	<u>14.985.871</u>
5	Current portion of long term payables	1.030.670	1.049.334
	Trade payables	2.856.609	2.499.427
	Income tax payable	188.666	503.623
	Other payables	2.664.157	2.257.979
	Total short term liabilities other than provisions	<u>6.740.102</u>	<u>6.310.363</u>
	<b>Total liabilities other than provisions</b>	<b><u>21.538.774</u></b>	<b><u>21.296.234</u></b>
	<b>Total equity and liabilities</b>	<b><u>30.160.418</u></b>	<b><u>28.340.380</u></b>
<b>6</b>	<b>Charges and security</b>		

## Statement of changes in equity

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All amounts in DKK.

	Contributed capital	Retained earnings	Proposed dividend for the financial year	Total
Equity 1 October 2018	780.000	3.896.261	700.000	5.376.261
Value adjustment of hedging instrument	0	-1.208.408	0	-1.208.408
Distributed dividend	0	0	-700.000	-700.000
Retained earnings for the year	0	314.448	800.000	1.114.448
Equity 1 October 2019	780.000	3.002.301	800.000	4.582.301
Value adjustment of hedging instrument	0	186.411	0	186.411
Distributed dividend	0	0	-800.000	-800.000
Retained earnings for the year	0	312.341	2.000.000	2.312.341
	<b>780.000</b>	<b>3.501.053</b>	<b>2.000.000</b>	<b>6.281.053</b>

## Notes

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All amounts in DKK.

	<u>2019/20</u>	<u>2018/19</u>
<b>1. Staff costs</b>		
Salaries and wages	7.500.753	7.619.113
Pension costs	499.146	685.133
Other costs for social security	82.579	205.349
	<u><b>8.082.478</b></u>	<u><b>8.509.595</b></u>
Average number of employees	<u>13</u>	<u>13</u>
<b>2. Property</b>		
Cost 1 October 2019	<u>34.216.770</u>	<u>34.216.770</u>
<b>Cost 30 September 2020</b>	<u><b>34.216.770</b></u>	<u><b>34.216.770</b></u>
Depreciation and writedown 1 October 2019	-19.890.409	-18.730.129
Amortisation and depreciation for the year	-1.160.280	-1.160.280
<b>Depreciation and writedown 30 September 2020</b>	<u><b>-21.050.689</b></u>	<u><b>-19.890.409</b></u>
<b>Carrying amount, 30 September 2020</b>	<u><b>13.166.081</b></u>	<u><b>14.326.361</b></u>
<b>3. Other fixtures and fittings, tools and equipment</b>		
Cost 1 October 2019	21.593.132	21.217.353
Additions during the year	688.285	1.018.202
Disposals during the year	-1.722.426	-642.423
<b>Cost 30 September 2020</b>	<u><b>20.558.991</b></u>	<u><b>21.593.132</b></u>
Depreciation and writedown 1 October 2019	-18.344.031	-17.484.152
Amortisation and depreciation for the year	-790.308	-892.000
Reversal of depreciation, amortisation and impairment loss, assets disposed of	1.680.523	32.121
<b>Depreciation and writedown 30 September 2020</b>	<u><b>-17.453.816</b></u>	<u><b>-18.344.031</b></u>
<b>Carrying amount, 30 September 2020</b>	<u><b>3.105.175</b></u>	<u><b>3.249.101</b></u>

## Notes

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All amounts in DKK.

	<u>30/9 2020</u>	<u>30/9 2019</u>
<b>4. Equity investments in group enterprises</b>		
Cost 1 October 2019	300.000	300.000
<b>Cost 30 September 2020</b>	<b>300.000</b>	<b>300.000</b>
Revaluations, opening balance 1 October 2019	-536.841	0
Net profit or loss for the year before amortisation of goodwill	5.921	-536.841
<b>Revaluation 30 September 2020</b>	<b>-530.920</b>	<b>-536.841</b>
Offset against receiveables	230.920	236.841
<b>Set off against debtors and provisions for liabilities</b>	<b>230.920</b>	<b>236.841</b>
<b>Group enterprises:</b>		
	<b>Domicile</b>	<b>Equity interest</b>
Graff Young Plants A/S	Sabro	60 %

## Notes

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All amounts in DKK.

### 5. Liabilities other than provision

	<b>Total payables 30 Sep 2020</b>	<b>Current portion of long term payables</b>	<b>Long term payables 30 Sep 2020</b>	<b>Outstanding payables after 5 years</b>
Mortgage loans	14.997.434	1.030.670	13.966.764	9.955.284
Income tax payable	831.908	0	831.908	0
	<b>15.829.342</b>	<b>1.030.670</b>	<b>14.798.672</b>	<b>9.955.284</b>

### 6. Charges and security

As collateral for mortgage loans, DKK 14.997.000, security has been granted on land and buildings representing a carrying amount of DKK 13.166.000 at 30 September 2020.

The company has issued mortgages registered to the owners totalling DKK 1.505.000 as security for bank loans. The mortgages registered to the owners provide security on the above land and buildings.

Selskabet har deponeret ejerpantebreve på i alt 3.600 t.kr. til sikkerhed for bankgæld. Ejerpantebrevene giver pant i ovenstående grunde og bygninger.

The company has provided security in company assets representing a nominal value of DKK 3.600.000. The mortgages registered to the owners provide security on the above land and buildings.

## Accounting policies

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The annual report for Graff Growing A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

### 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 company 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 company 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.



## Accounting policies

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### Derivatives

At their initial recognition, derivatives are recognised at cost in the statement of financial position. Hereafter, they are measured at fair value. Positive and negative fair values of derivatives are recognised under other receivables and payables, respectively.

Changes in the fair value of derivatives intended as hedging the fair value of a recognised asset or a recognised liability are recognised in the income statement together with any changes in the fair value of the hedged asset or hedged liability.

Changes in the fair value of derivatives classified as, and meeting the criteria for, hedging future cash flows are recognised under other receivables or other payables and in equity.

If the future transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or the liability, respectively. If the future transaction results in income or costs, amounts recognised in equity on a continuing basis are transferred to the income statement for the period in which the hedged item affected the income statement.

As regards any derivatives which do not meet the criteria for treatment as hedging instruments, changes in the fair value are recognised in the income statement on a continuing basis.

## 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.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

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

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including profit from the disposal of intangible and tangible assets.

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

### 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.

## Accounting policies

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### **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**

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 as a proportional share of the group enterprises' 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 company is subject to Danish rules on compulsory joint taxation of Danish group enterprises. The company acts as an administration company in relation to the joint taxation. This means that the total Danish tax payable by the Danish consolidated 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).

## Statement of financial position

### **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.

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.

## **Accounting policies**

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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.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

	Useful life
Buildings	30 years
Other fixtures and fittings, tools and equipment	3-5 years

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.

### **Investments**

#### **Equity in group enterprises**

Equity in group enterprises 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 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.

## Accounting policies

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To the extent the equity exceeds the cost, the net revaluation of equity investments in group enterprises 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.

Newly acquired or newly established companies are recognised in the financial statement as of the time of acquisition. Sold or liquidated companies are recognised until the date of disposal.

Profit or loss in connection with the disposal of group enterprises are measured as the difference between the sales amount and the carrying amount of net assets at the time of sale, inclusive of remaining consolidated goodwill and expected costs of sale or liquidation. Profit and loss are recognised in the income statement under net financials.

### **Inventories**

Inventories are measured at cost on the basis of weighted measured average prices. In cases when the net realisable value is lower than the cost, the latter is written down for impairment to this lower value.

Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

Costs of manufactured goods and work in progress comprise the cost of raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance and depreciation of machinery, factory buildings, and equipment used in the production process, and costs for factory administration and factory management. Borrowing expenses are not recognised in cost.

### **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.

## Accounting policies

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### Equity

#### Dividend

Dividend expected to be distributed for the year is recognised as a separate item under equity. Proposed dividend is recognised as a liability at the time of approval by the annual general meeting (time of declaration).

#### 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.

Graff Growing 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, Graff Growing 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.

#### 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.

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