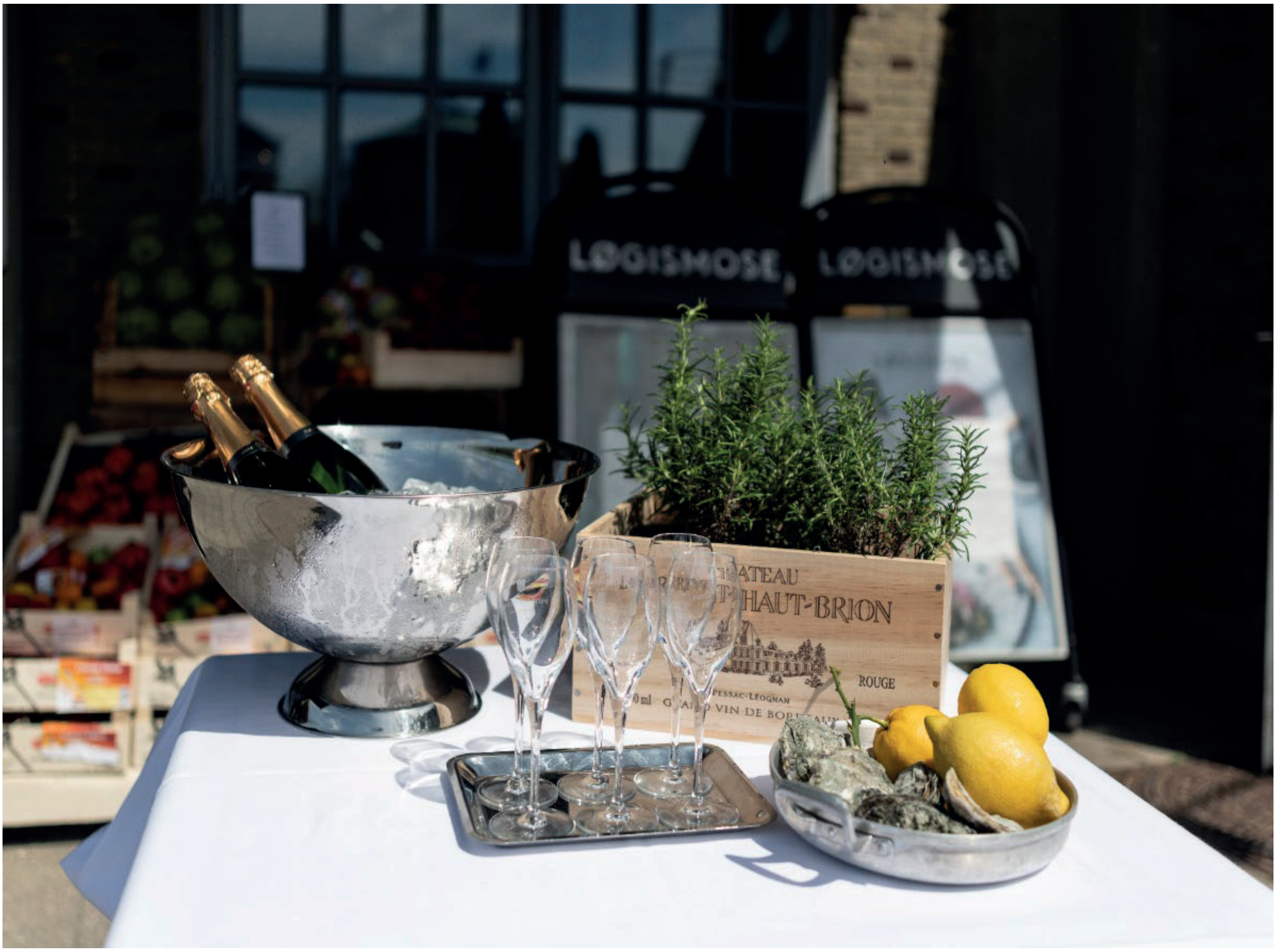
ANNUAL REPORT 2020

LØGISMOSE A/S

Ny Vestergade 2

5672 Broby

CVR-nr.: 21924679



Approved on the Annual General Meeting the 28th of June 2021.

Chairman of the General Meeting
Lizette Kjellerup

Contents

Entity details

Entity

Løgismose A/S

Ny Vestergade 2

5672 Broby

CVR No.: 21924679

Date of foundation: 03.06.2002

Registered office: Faaborg-midtfyn

Financial year: 01.01.2020 - 31.12.2020

Board of Directors

Per Harkjær, chairman
Mads Ryum Larsen
Jørn Tolstrup Rohde
Nina Kristine Hoffmann von Holten
Christopher Patric Masek

Executive Board

Jesper Uggerhøj, chief executive officer
Lizette Kjellerup, chief financial officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 Copenhagen S

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Løgismose A/S for the financial year 01.01.2020 - 31.12.2020.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2020 and of the results of its operations and cash flows for the financial year 01.01.2020 - 31.12.2020.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 26.05.2021

Executive Board

Jesper Uggerhøj
chief executive officer

Lizette Kjellerup
chief financial officer

Board of Directors

Per Harkjær
chairman

Mads Ryum Larsen

Jørn Tolstrup Rohde

Nina Kristine Hoffmann von Holten

Christopher Patric Masek

Independent auditor's report

To the shareholders of Løgismose A/S

Opinion

We have audited the financial statements of Løgismose A/S for the financial year 01.01.2020 - 31.12.2020, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2020 and of the results of its operations and cash flows for the financial year 01.01.2020 - 31.12.2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 26.05.2021

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Bill Haudal Pedersen
State Authorised Public Accountant
Identification No (MNE) mne30131

Hans Tauby
State Authorised Public Accountant
Identification No (MNE) mne44339

Management commentary

Financial highlights

	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000
Key figures					
Revenue	463,484	624,128	613,415	622,122	625,900
Gross profit/loss	86,189	130,579	148,310	145,662	160,460
Operating profit/loss	34,368	(17,545)	9,264	12,949	22,082
Net financials	(631)	(1,767)	(687)	(1,404)	(1,635)
Profit/loss for the year	26,121	17,182	31,439	38,454	20,262
Total assets	242,216	460,817	393,621	362,438	398,615
Investments in property, plant and equipment	6,937	17529	17,344	24,550	43,142
Equity	139,222	361,155	308,973	277,534	229,525
Ratios					
Gross margin (%)	18.60	20.92	24.18	23.41	25.64
EBIT margin (%)	7.42	(2.81)	1.51	2.08	3.53
Net margin (%)	5.64	2.75	5.13	6.18	3.24
Return on equity (%)	10.44	5.13	10.72	15.17	9.04
Equity ratio (%)	57.48	78.37	78.50	76.57	57.58

Due to the demerger of Løgismose Meyers A/S, comparative figures from 2019 and later are not comparable, as these include both Løgismose A/S and Meyers A/S figures. Refer to "Development in activities and finances" for further elaboration of this matter.

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

Gross margin (%):
<u>Gross profit/loss * 100</u>
Revenue

EBIT margin (%):
<u>Operating profit/loss * 100</u>
Revenue

Net margin (%):
<u>Profit/loss for the year * 100</u>
Revenue

Return on equity (%):
Profit/loss for the year * 100
Average equity

Equity ratio (%):
Equity * 100
Total assets

Primary activities

Løgismose was established in 1963, and is today one of Denmark's strongest food brands, especially known for a high gastronomic quality, dedicated focus on taste and craftsmanship, and with an ethical attitude to how the products are made. Løgismose develops, produces and sources food and wine for the Danish consumer through its own shops, webshop and retail, as well as for companies, restaurants, hotels and selected export markets. Løgismose's mission is to create high quality food and wine experiences no matter where you are in contact with the brand.

Development in activities and finances

The company has continued its normal operating activities within the Løgismose brand, but has split up the activities related to the Meyers brand per. 01.01.2020.
The company's profit for the year was DKK 26,121 thousand. Management considers the growth in the business to be satisfactory.

Profit/loss for the year in relation to expected developments

In the annual report for 2019, it was expected that the net revenue would decrease in 2020 due to the COVID19. However, the revenue in Retail and Webshop has increased and more than offset the COVID19 impact in sale to the impacted business as the HORECA marked.

Outlook

The company expects an increase in revenue in 2021. As the business has experienced growth under COVID19, it is expected that the spread of a vaccine against COVID19 will have little to no effect on this part of the business, whereas products for the hotel and restaurant industry are expected to increase significantly when this industry is starting to reopen.

Particular risks

The company is not subject to special risks, other than what can be expected from a business of this kind.

Statutory report on corporate social responsibility

Reference is made to the statement of corporate social responsibility, which is included in the consolidated financial statements of the parent company Løgismose Meyers Holding ApS.

Statutory report on the underrepresented gender

The company's board of directors is composed of one woman and four men, which is not reaching the company's target where we aim to have an equal balance between men and women in our organization within 5-10 years. Reference is also made to the statement of the underrepresented gender, which is included in the 2020 consolidated financial statements of the parent company Løgismose Meyers Holding ApS.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2020

	Notes	2020 DKK'000	2019 DKK '000
Revenue	2	463,484	624,128
Other operating income	3	1,307	530
Cost of sales		(352,941)	(409,872)
Other external expenses	4	(25,661)	(84,207)
Gross profit/loss		**86,189**	**130,579**
Staff costs	5	(43,703)	(131,877)
Depreciation, amortisation and impairment losses	6	(8,118)	(16,247)
Operating profit/loss		**34,368**	**(17,545)**
Income from investments in group enterprises		0	32,265
Other financial income	7	130	166
Impairment losses on financial assets		0	(1,016)
Other financial expenses	8	(761)	(917)
Profit/loss before tax		**33,737**	**12,953**
Tax on profit/loss for the year	9	(7,616)	4,229
Profit/loss for the year	10	**26,121**	**17,182**

Balance sheet at 31.12.2020

Assets

	Notes	2020 DKK'000	2019 DKK'000
Completed development projects	12	0	122
Acquired intangible assets		0	3,390
Acquired rights		0	1,712
Intangible assets	11	**0**	**5,224**
Land and buildings		10,225	11,558
Plant and machinery		7,907	20,146
Other fixtures and fittings, tools and equipment		589	2,939
Leasehold improvements		449	21,338
Leased assets		12,580	0
Property, plant and equipment in progress		3,045	2,140
Property, plant and equipment	13	**34,795**	**58,121**
Investments in group enterprises		0	185,452
Other investments		0	83
Deposits		640	3,231
Financial assets	14	**640**	**188,766**
Fixed assets		**35,435**	**252,111**

Raw materials and consumables		8,697	19,784
Manufactured goods and goods for resale		56,032	40,684
Prepayments for goods		8,429	6,023
Inventories		**73,158**	**66,491**
Trade receivables		75,517	101,089
Receivables from group enterprises	15	51,774	27,204
Deferred tax	16	909	0
Other receivables		2,022	4,736
Joint taxation contribution receivable		0	3,601
Prepayments	17	714	3,650
Receivables		**130,936**	**140,280**
Cash		**2,687**	**1,935**
Current assets		**206,781**	**208,706**
Assets		**242,216**	**460,817**

Equity and liabilities

	Notes	2020 DKK'000	2019 DKK'000
Contributed capital	18	600	600
Reserve for net revaluation according to the equity method		0	93,747
Retained earnings		138,622	266,808
Equity		**139,222**	**361,155**
Deferred tax	16	0	1,055
Provisions		**0**	**1,055**
Lease liabilities		9,700	0
Deposits		135	175
Other payables		4,150	2,476
Non-current liabilities other than provisions	19	**13,985**	**2,651**
Current portion of non-current liabilities other than provisions	19	3,175	0
Prepayments received from customers		0	1,274
Trade payables		47,739	58,084
Payables to group enterprises		7,146	5,360
Joint taxation contribution payable		175	0
Other payables	20	30,774	31,238
Current liabilities other than provisions		**89,009**	**95,956**
Liabilities other than provisions		**102,994**	**98,607**
Equity and liabilities		**242,216**	**460,817**
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	22		
Contingent liabilities	23		
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Statement of changes in equity for 2020

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	600	93,747	266,808	361,155
Effect of divestments of entities etc	0	(93,747)	(154,307)	(248,054)
Profit/loss for the year	0	0	26,121	26,121
Equity end of year	**600**	**0**	**138,622**	**139,222**

Cash flow statement for 2020

	Notes	2020 DKK'000	2019 DKK'000
Operating profit/loss		34,368	(17,545)
Amortisation, depreciation and impairment losses		8,000	16,248
Working capital changes	21	(13,100)	(3,538)
Cash flow from ordinary operating activities		**29,268**	**(4,835)**
Financial income received		129	166
Financial expenses paid		(607)	(917)
Taxes refunded/(paid)		(197)	(1,233)
Cash flows from operating activities		**28,593**	**(6,819)**
Acquisition etc of intangible assets		0	(3,047)
Acquisition etc of property, plant and equipment		(6,804)	(17,530)
Sale of property, plant and equipment		4,377	10,298
Acquisition of fixed asset investments		(11)	(36,358)
Sale of fixed asset investments		1,077	0
Cash flows from investing activities		**(1,361)**	**(46,637)**
Free cash flows generated from operations and investments before financing		**27,232**	**(53,456)**
Incurrence of debt to group enterprises		(22,934)	(21,501)
Cash increase of capital		0	35,000
Repayment of lease liabilities		(3,546)	0
Cash flows from financing activities		**(26,480)**	**13,499**
Increase/decrease in cash and cash equivalents		**752**	**(39,957)**
Cash and cash equivalents beginning of year		1,935	41,892
Cash and cash equivalents end of year		**2,687**	**1,935**
Cash and cash equivalents at year-end are composed of:			
Cash		2,687	1,935
Cash and cash equivalents end of year		**2,687**	**1,935**

Notes

1 Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

2 Revenue

	2020 DKK'000	2019 DKK'000
Denmark	448,860	611,882
Other EU countries	14,624	12,246
Total revenue by geographical market	**463,484**	**624,128**
Wholesale of food and beverages	410,778	548,673
Retail sales	52,706	75,455
Total revenue by activity	**463,484**	**624,128**

3 Other operating income

	2020 DKK'000	2019 DKK'000
Other operating income	853	530
Wage compensation	454	0
	1,307	**530**

4 Fees to the auditor appointed by the Annual General Meeting

	2020 DKK'000	2019 DKK'000
Statutory audit services	123	245
Other assurance engagements	15	23
Other services	52	109
	190	**377**

5 Staff costs

	2020 DKK'000	2019 DKK'000
Wages and salaries	36,064	110,624
Pension costs	4,322	10,128
Other social security costs	1,249	3,184
Other staff costs	2,068	7,941
	43,703	**131,877**

Average number of full-time employees	102	307

The management is remunerated in other Group companies, thus no management remuneration is incurred in the Company.

6 Depreciation, amortisation and impairment losses

	2020 DKK'000	2019 DKK'000
Amortisation of intangible assets	0	372
Depreciation of property, plant and equipment	8,012	13,776
Profit/loss from sale of intangible assets and property, plant and equipment	106	2,099
	8,118	**16,247**

7 Other financial income

	2020 DKK'000	2019 DKK'000
Other interest income	0	14
Exchange rate adjustments	7	16
Fair value adjustments	123	136
	130	**166**

8 Other financial expenses

	2020 DKK'000	2019 DKK'000
Other interest expenses	322	4
Fair value adjustments	177	295
Other financial expenses	262	618
	761	**917**

9 Tax on profit/loss for the year

	2020 DKK'000	2019 DKK'000
Current tax	175	(4,877)
Change in deferred tax	7,441	648
	7,616	**(4,229)**

Change in deferred tax effect from the taxable demerger, that leads to realization-taxation of deferred tax related to the divested assets into Meyers A/S.

10 Proposed distribution of profit and loss

	2020 DKK'000	2019 DKK'000
Retained earnings	26,121	17,182
	26,121	**17,182**

11 Intangible assets

	Completed development projects DKK'000	Acquired intangible assets DKK'000	Acquired rights DKK'000
Cost beginning of year	352	4,153	1,997
Disposals on divestments etc	(352)	(4,153)	(1,997)
Cost end of year	**0**	**0**	**0**
Amortisation and impairment losses beginning of year	(230)	(763)	(285)
Reversal regarding disposals	230	763	285
Amortisation and impairment losses end of year	**0**	**0**	**0**
Carrying amount end of year	**0**	**0**	**0**

12 Development projects

Development projects relate to software and it projects. The projects contribute to improving processes in the company and are therefore capitalized. As part of the demerger development projects have been disposed.

13 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000	Leased assets DKK'000
Cost beginning of year	23,642	77,441	17,565	53,254	0
Changes in accounting policies	0	0	0	0	16,279
Disposals on divestments etc	0	(28,777)	(8,036)	(47,962)	0
Additions	94	1,761	133	0	0
Disposals	(869)	0	(292)	(249)	0
Cost end of year	**22,867**	**50,425**	**9,370**	**5,043**	**16,279**
Depreciation and impairment losses beginning of year	(12,084)	(57,295)	(14,626)	(31,916)	0
Depreciation for the year	(558)	(2,567)	(450)	(738)	(3,699)
Reversal regarding disposals	0	17,344	6,295	28,060	0
Depreciation and impairment losses end of year	**(12,642)**	**(42,518)**	**(8,781)**	**(4,594)**	**(3,699)**
Carrying amount end of year	**10,225**	**7,907**	**589**	**449**	**12,580**

	Property, plant and equipment in progress DKK'000
Cost beginning of year	2,140
Changes in accounting policies	0
Disposals on divestments etc	(1,256)
Additions	4,949
Disposals	(2,788)
Cost end of year	**3,045**
Depreciation and impairment losses beginning of year	0
Depreciation for the year	0
Reversal regarding disposals	0
Depreciation and impairment losses end of year	**0**
Carrying amount end of year	**3,045**

As of 1 January 2020 IFRS 16 'Leases is applied for the first time. The Company has implemented IFRS 16 'leases' using the modified retrospective approach, see accounting policies. Leases comprises properties and cars. Carrying amount end of year includes properties (DKK 11,864 thousand) and cars (DKK 716 thousand).

14 Financial assets

	Investments in group enterprises DKK'000	Other investments DKK'000	Deposits DKK'000
Cost beginning of year	91,705	1,099	3,231
Disposals on divestments etc	(91,705)	(1,099)	(2,602)
Additions	0	0	11
Cost end of year	**0**	**0**	**640**
Revaluations beginning of year	93,747	0	0
Disposals on divestments etc	(93,747)	0	0
Revaluations end of year	**0**	**0**	**0**
Impairment losses beginning of year	0	(1,016)	0
Reversal regarding disposals	0	1,016	0
Impairment losses end of year	**0**	**0**	**0**
Carrying amount end of year	**0**	**0**	**640**

15 Receivables from group enterprises

The Company participates in a cash pool scheme with other companies within the Løgismose Meyers Group. Consequently, DKK 12,496 thousand of the Company's bank deposits is included in receivables from group enterprises. Løgismose A/S is jointly and severally liable with other participating Group entities for the total debt of DKK 198,851 thousand within the cash pool scheme.

16 Deferred tax

Changes during the year	2020 DKK'000
Beginning of year	(1,055)
Recognised in the income statement	(7,441)
Divestment adjustment 01.01.2020	9,405
End of year	**909**

Deferred tax relates to intangible assets, property, plant & equipment and other provisions.

17 Prepayments

Prepayments comprise expenses incurred for subsequent financial years including costs for contracts for subsequent periods.

18 Share capital

	Number	Par value DKK'000	Nominal value DKK'000
Share capital	600	1	600
	600		**600**

19 Non-current liabilities other than provisions

	Due within 12 months 2020 DKK'000	Due after more than 12 months 2020 DKK'000	Outstanding after 5 years 2020 DKK'000
Lease liabilities	3,175	9,700	0
Deposits	0	135	0
Other payables	0	4,150	4,150
	3,175	**13,985**	**4,150**

20 Other payables

	2020 DKK'000	2019 DKK'000
VAT and duties	5,750	6,443
Wages and salaries, personal income taxes, social security costs, etc payable	14,052	5,140
Holiday pay obligation	476	5,599
Other costs payable	10,496	14,056
	30,774	**31,238**

21 Changes in working capital

	2020 DKK'000	2019 DKK'000
Increase/decrease in inventories	(20,221)	(12,275)
Increase/decrease in receivables	(20,629)	(3,298)
Increase/decrease in trade payables etc	27,750	12,035
	(13,100)	**(3,538)**

22 Unrecognised rental and lease commitments

	2020 DKK'000	2019 DKK'000
Liabilities under rental or lease agreements until maturity in total	0	56,600

23 Contingent liabilities

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

As a result of the demerger of Løgismose Meyers A/S, the contributing company Løgismose A/S and the new company Meyers A/S are jointly and severally liable for debt and liabilities arising after 1 January 2020, but relating to the period before 1 January 2020, which cannot be uniquely assigned to either Løgismose A/S or Meyers A/S.

24 Assets charged and collateral

The Group’s bank has pledge in all assets.

25 Related parties with controlling interest

Related parties with controlling interest in Løgismose A/S:
Løgismose Meyers Group ApS, Ny Vestergade 2, 5672 Broby (immediate parent company)
Løgismose Meyers Holding ApS, Kattegatvej 53, 2150 Nordhavn.
L+M International S.à r.l., Luxembourg (ultimate parent company)

26 Non-arm’s length related party transactions

Only related party transactions not conducted on an arm’s length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

27 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest and largest group: Løgismose Meyers Holding ApS, Kattegatvej 153, 2150 Nordhavn

Accounting policies

Reporting class

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

Changes in accounting policies

The Entity has changed its accounting policies with regard to implementing IFRS standards.

Leases

As of 1 January 2020 IFRS 16 'Leases' is applied for the first time. The Company has implemented IFRS 16 'Leases' using the modified retrospective approach.

Under this method, the cumulative effect of initially applying the standard is recognised at 1 January 2020. Lease assets and lease liabilities have been recognized for those leases previously classified as operating leases, except for short-term leases and leases of low value assets. The right-of-use assets have been recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities are recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 1 January 2020. The comparative information has not been restated.

The net profit and loss effect from implementing IFRS 16 'Leases' comprises to DKK 295k in loss.

Revenue

As of 1 January 2020 IFRS 15 ‘Revenue from Contracts with Customers’ is applied for the first time. The primary change deriving from the implementation of the new standard is that revenue going forward has to be recognized when control of the products has been transferred to the customer instead of earlier where transfer of risk has been the key principle in determining revenue recognition. The standard is introducing a five-step-model for recognizing revenue, which includes the following steps:

1. Identification of customer agreements (including assessment of whether a number of agreements has to be treated as one overall agreement)
2. Identification of different delivery terms in agreements and separation of agreement into partial deliveries
3. Determine the transaction price, including variable remuneration treatment
4. Allocate the transaction price to the performance obligations in the customer agreements
5. Recognition of the revenue when the buyer gain control, which may be over a period of time or at a certain point in time IFRS 15 is applicable for all agreements with customers that are not regulated by other standards and also contains certain rules regarding recognition of costs in relation to customer agreements.

Løgismose has assessed that the effect of IFRS 15 is limited as sales is generally based on straight-forward customer agreements with buyer gaining control at a certain point in time.

Apart from the areas mentioned above, the annual report has been presented applying the accounting policies consistent with last year, except for reclassifications which have not had an effect on profit and equity but are reclassifications.

Non-comparability

As of 01.01.2020, Løgismose Meyers A/S completed a partial demerger, by which a division of the company's activities have been transferred to a new company "Meyers A/S" formed in connection with the demerger. The uniting-of-interests method is applied, where the enterprises concerned are controlled by the Parent, under which method the combination is considered completed at the date of restructuring without restatement of comparative figures.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Business combinations

The uniting-of-interests method is applied on demergers where the enterprises concerned are controlled by the Parent, under which method the combination is considered completed at the date of restructuring without restatement of comparative figures. Under the uniting-of-interests method, the acquiree's assets and liabilities are recognised at their carrying amounts, adjusted for any differences in accounting policies and accounting estimates. The difference between the consideration agreed and the carrying amount of the acquiree is recognised in equity.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

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

Cost of sales
Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses
Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

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

Depreciation, amortisation and impairment losses
Depreciation, amortisation and impairment losses relating to property, plant and equipment comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of property, plant and equipment.

Income from investments in group enterprises
Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

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

Impairment losses on financial assets
Impairment losses on financial assets comprise impairment losses on financial assets which are not measured at fair value on a current basis.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, lease liabilities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise completed development projects, acquired intellectual property rights and aacquired intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used is 5 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised over the term of the agreement.

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

Property, plant and equipment

Land and buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	25-50 years
Plant and machinery	3-5 years
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	5-10 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

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

Leases
The Company leases includes properties and cars. Lease contracts are identified as leases if the contract conveys the right to use a specified asset over a period of time in exchange for consideration. The leases are negotiated individually and contain a range of different terms, conditions and clauses.

Lease assets are 'right-of-use assets' from lease agreements. If, at inception, it is assessed that a contract contains a lease, a lease asset is recognized. Lease assets are initially measured at the present value of future lease payments, plus the cost of obligations to refurbish the asset. Payments include fixed payments, variable lease payments depending on an index or a rate, and the exercise price of purchase options that are reasonably certain to be exercised. The lease assets are depreciated using the straightline method over the shorter of the expected lease term and the useful life of the underlying asset. The lease assets are tested for impairment whenever there is an indication that the assets may be impaired.

Lease liabilities are initially recognized at the present value of future lease payments, including payments from extension or purchase options that are considered reasonably certain to be exercised. Lease liabilities are measured using the incremental borrowing rate, rather than the interest rate implicit in the leases, since these cannot easily be determined in the contracts. The incremental borrowing rate comprises of three parts:

- Reference rate
- Financing spread adjustment
- Lease specific adjustment

The discount rate used is derived from the Company's incremental borrowing rate, which is adjusted for the individual asset classes.

Depreciation and interest costs related to leases are recognised in the income statement under the items "amortisation, impairment and depreciation", and "financial expenses", respectively.

Lease term
The lease term is defined as the non-cancellable period of a lease. The non-cancellable period of a lease extends from contract start to contract end date extended by periods covered by possible extension options which are reasonably certain to be exercised or by periods covered by termination options which are not exercised with reasonable certainty. A number of leases contain extension and termination options in order to guarantee operational flexibility in managing the leases.

Exemptions in application of IFRS 16
The Company applies the recognition exemption for short-term leases, which are leases with a term less than one year and the recognition exemption for underlying assets of low value. Contract covered by the exemptions amounts to DKK 539k in lease payments during the year.

Key accounting estimates
For property leases, lease terms are estimated taking the size of the building and its strategic importance into consideration. The Company entered into property leases with extension options. The lease terms of such agreements are estimated based on the strategic importance of the buildings and the estimated time frame necessary to vacate the premises. The estimated lease term is reassessed at each reporting date.

Investments in group enterprises
Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve for net revaluation according to the equity method in equity.

Goodwill is the positive difference between cost of investments and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. The useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used is 20 years.
Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Other investments
Other investments comprise unlisted equity investments measured at the lower of cost and net realisable value.

Inventories
Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Cash pool
The Company is part of a cash pool scheme with other companies within the Løgismose group. Consequently, a considerable portion of the Company's bank deposits and debt is included in receivables from group enterprises.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Joint taxation contributions receivable or payable
Current joint taxation contributions payable or joint taxation contributions receivable are recognised in the balance sheet, calculated as tax computed on the taxable income for the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

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

Cash
Cash comprises cash in hand and bank deposits.

Lease liabilities
Lease commitments relating to right-of-use assets are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of right-of-use assets.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, repayments of leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.