Akola ApS

Thistedvej 68, st., 9400 Nørresundby

CVR no. 25 17 48 79

Annual Report 2019/20

Approved at the Company's annual general meeting on 23 December 2020

Chairman:

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Anders Bredgaard

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Statement by Management on the annual report

Today, the Executive Board have discussed and approved the annual report of Akola ApS for the financial year 1 July 2019 - 30 June 2020.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 30 June 2020 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year 1 July 2019 - 30 June 2020.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's operations and financial matters and the results of the Group's and the Parent Company's operations and financial position.

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

Aalborg, 23 December 2020
Executive Board:

Tomas Tumenas Director	Gert Østergaard Director

Independent auditor's report

To the shareholders of Akola ApS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Akola ApS for the financial year 1 July 2019 – 30 June 2020, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for both the Group and the Parent Company, as well as a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 30 June 20 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 July 2019 – 30 June 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 consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent 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 as to 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 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 the financial statements.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and 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 Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the 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 Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, 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's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the Management's review 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's review.

Aabenraa, 23 December 2020
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

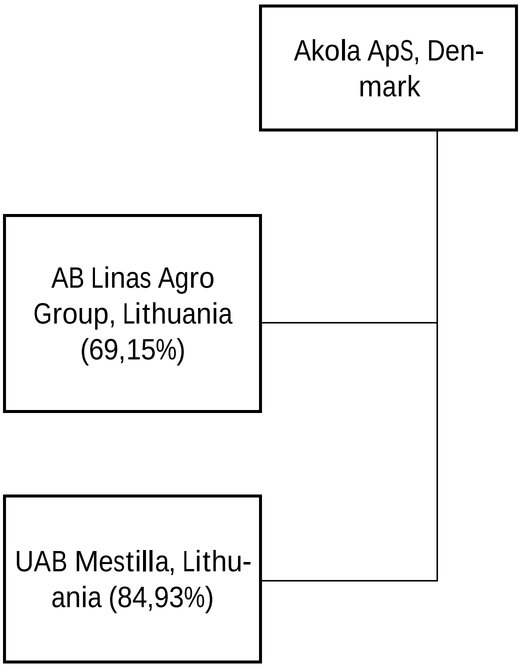
Jon Midtgaard
State Authorised
Public Accountant
mne28657

Management's review

Company details

Name	Akola ApS
Address, zip code, city	Thistedvej 68, st., 9400 Nørresundby
CVR no.	25 17 48 79
Financial Year	1 July 2019 – 30 June 2020
Executive board	Tomas Tumenas, Director
	Gert Østergaard, Director
Auditors	EY Godkendt Revisionspartnerselskab Skibbroen 16, 6200 Aabenraa

Group chart



Management's review

Financial highlights for the Group

In DKK millions	2019/20	2018/19	2017/18	2016/17	2015/16
Key figures					
Revenue	5,745	6,393	5,416	5,375	5,062
Gross profit	629	593	584	558	476
Operating profit	157	122	122	110	77
Profit/loss from net financials	-28	-30	-20	-17	-15
Profit/loss for the year	111	94	113	77	50
Non-current assets	1,290	1,108	1,074	1,063	1,037
Current assets	2,089	2,129	2,153	1,835	1,679
Total assets	3,379	3,237	3,227	2,898	2,716
Total equity	1,494	1,402	1,330	1,460	1,418
Non-current liabilities	461	348	457	233	240
Current liabilities	1,423	1,486	1,897	1,206	1,058
Cash flows from operating activities	293	247	-130	73	82
Cash flow from investing activities	-117	-111	-96	-130	-134
Cash flows from financing activities	-136	-101	236	64	-49
Total cash flows	40	35	10	7	-102
Financial ratios					
Gross margin	10,9%	9,3%	10.8%	10.4%	9.4%
Current ratio	146,7%	143,3%	113.5%	152.2%	158.7%
Return on equity	7,7%	6,9%	8.1%	5.4%	3.5%
Average number of full-time Employees	2,157	2,166	2,254	2,272	2,320

The financial ratios stated under "Financial highlights" have been calculated as follows:

Gross margin $$\frac{\text{Gross profit x 100}}{\text{Revenue}}$$

Current ratio $$\frac{\text{Current assets x 100}}{\text{Current liabilities}}$$

Return on equity $$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$$

Management's review

Management commentary

Business review

Akola ApS is the parent company of the Group and its activity mainly consists of holding shares in AB Linas Agro Group and UAB Mestilla.

AB Linas Agro Group is exporter of grains and has own network of grain storage facilities, supplies of agricultural inputs (such as certified seeds, fertilizers and agricultural machinery) in Lithuania and has seed preparation plant. Also, the AB Linas Agro Group is a major raw milk producer in Lithuania and poultry producer in Latvia.

UAB Mestilla's main activity is production of biodiesel.

Financial review

The Akola ApS group realised a profit for the year of DKK 111 Million, which was about DKK 17 Million higher than last year and acceptable. Equity at 30 June 2020 amounts to DKK 1,494 Million, corresponding to a solvency rate of 44,2%.

The subsidiary AB Linas Agro Group realised a revenue of DKK 4,912 million during 2019/20 financial year, which was a decline compared to previous year (DKK 5,542 million). Sales volume in tons reached 2.23 million tons of various grains, agricultural inputs and other products (2018/19: DKK 2.53 million tons). The results were satisfactory. The main reasons for the revenue decline were mainly related to grain and feedstuff businesses.

The subsidiary UAB Mestilla saw a 4% decrease in revenue in 2019/20 compared to 2018/19, accordingly company's gross profit declined as well. The biodiesel market has not been quite so favourable for producers as previously.

Financing

The objective of the Group is to have sufficient financial resources, maintain high liquidity level, good quality balance sheet, have sufficient flexibility and space in borrowing, and be able to meet the Group's working capital and investment needs.

The Group's cash flow from operating activities before the changes in working capital were positive and amounted to DKK 240 million as compared to DKK 203 million in the corresponding period of the previous year. Cash flow from operating activities after changes in working capital was also positive and amounted to DKK 293 million.

The Group's cash flow from investment activities was negative and amounted to DKK -117 million (compared to DKK -111 million in the financial year 2018/19). During the reporting period all companies managed by the Group were actively involved in development including expansion of the grain storage network, upgrading and renewal of non-current assets used by agricultural companies, and investments into poultry business.

The Group's cash flow from financial activities was negative and were reported at DKK 27 million which was primarily due to decrease in bank loans and overdrafts.

The Group's cash equivalents at the end of the reporting period accounted for DKK 157 million compared to DKK 117 million as per 30 June 2019.

The Group is fully able to finance its main and investment activities. The Group finances its working capital in four Banks – AB SEB Bank, ABN AMRO Bank N.V., Swedbank AB and AB DNB bank. The overall credit line held in these banks exceeding DKK 1.3 billion.

Management's review

Management commentary

Investments

During the reporting period the Group's subsidiaries have invested over DKK 148 million. Major investments of the Group by character:

Investment object	Amount, DKK million
Grain storage equipment, warehouses, buildings, various appliances and other machinery	44
Purchase and upgrade of agricultural machinery, vehichles, equipment, buildings and purchase of land	20
Modernization and renovation of poultry farms	42

Risks

General risks

Market risk shall be understood as a risk of generating lower profit than budgeted if the market prices are unfavourable. This may happen if market price fell below the intervention prices (minimal purchase prices for grains established by state authorities) as it would prevent the Group from receiving surplus profit. In a market situation when grain purchase prices fall due to certain reasons, intervention prices are used as a leverage to uphold a certain price level and thus to ensure guaranteed income to farmers. When intervention prices are higher than or identical to market prices, the Group sells the purchased grains to the agency and thus earns certain income which under regular market conditions would be lower than market prices. Starting from 2005, intervention prices are set by the EU and are calculated for two years in advance. The mechanism has not been applied so far; however, if intervention prices were applied, the Group would have been deprived of surplus profit.

Political risk

Agriculture is a strictly regulated and supervised sector of economy in the European Union. Although this regulation and control are mostly aimed at ensuring sufficient income for entities engaged in agricultural activities, political changes may affect the situation in the market where the Group operates. For example, reduction of subsidies to agriculture may affect the activities of agricultural companies controlled by the Group. Also, demand for agricultural products is impacted by political decisions - embargoes, import or export bans.

Counterparty and credit risks

The Group enters forward contracts with farmers who commit the delivery of production under terms and conditions of the contract. As the prices of products increase, the risk of breach of forward contracts and non-delivery of production by counterparties emerges. The bigger the difference between the contract price and the current market price on the day of delivery, the higher is the risk.

The Group, according its risk management policy is using risk management mitigating tools for forward purchases. No loss has been recorded, as the situation in the market was positive for such forward purchases. The Group continuously monitored and analyzed the market, has revised and stringent the terms of its purchase agreements, analyzed probable scenarios for losses and made certain decisions to control risk (for example, setting limits on forward contracts, evaluation and assessment of client's credit rating, capacity of cultivated land etc.).

Management's review

Management commentary

In order to manage the risk related to certain products, the Group concludes forward contracts on commodity exchange NYSE Euronext Paris SA. The Group trades in futures to control the price risk arising from purchasing and selling rapeseed and wheat. The Group has approved an internal trade risk management system and established the credit risk management committee that analyses trade transactions entered into by the Group as well as their amounts and limits. Some of the buyers (buyers' solvency risk) are insured with international insurance companies.

Knowledge resources

The experience and knowledge of the employees determine the ability of the Group to retain its competitive status and implement its growth strategy. However, there are no guarantees that all key members of staff within the Group will stay with the Group in the future. Loss of such employees or the Group's failure to recruit new employees possessing appropriate knowledge may have a significant adverse impact on the business outlook and financial position of the Group. Non-competition agreements are signed with some executives.

Corporate Social Responsibility

The Akola Group has assessed that the main societal influences in the Group are related to the business activities carried out by the subsidiary AB Linas Agro Group due to the Group's size and industry. Hence the Akola Group's reporting on social responsibility cf. §99a focuses on the subsidiary's activities related to corporate social sustainability.

The Group strives to be the best agribusiness and food production group in the Baltics. The group adheres to the ten principles of the UN Global Compact, on the basis of which it has adopted its Corporate Social Responsibility Policy, and all companies of the Group, as well as their employees, must follow this policy.

Human rights

The Group believes that all employees must be provided with equal opportunities regardless of gender, race, nationality, language, origin, social status, faith, beliefs or convictions, age, sexual orientation, disability, ethnic affiliation and religion. The group recognize the potential risk of violating human rights through discrimination of current and future employees. To overcome this risk the Group policy on non-discrimination is continuously communicated to all employees. During the reporting period, the Group did not record any violations concerning human rights including violations concerning discrimination.

Environment and climate

The Group strives to reduce the significant impact the operational activities have on the environment. Energy consumption, emission of greenhouse gases and waste are the most important environmental concerns and risks related to the group's activities. The Group reduced the electricity consumption by amongst other things replacing old luminaires with LED. The companies continued sorting of paper, plastic, glass, metal, and hazardous waste decreased the amount of non-recyclable waste.

Social and employee conditions

The Group strives to create and ensure a healthy, safe and productive work environment. The Group recognize the potential risk of employees getting injured during work. In order to reduce the number of accidents, investigations are carried out in each case and corrective actions are implemented. In addition, employee re-instructing and training is carried out and relevant memos are distributed. In the Group with 2,101 employees, 14 accidents took place during the reporting period, including 2 instances resulting in serious injuries

Management's review

Anticorruption

The Group is against any form of bribery and corruption and strive for open competition and ethical terms and conditions of trade. The group recognize the potential risk of employees engaging in corrupt activities. To overcome this risk the Group policy on anti-bribery and anti-corruption is continuously communicated to all employees. No manifestations of bribery or corruption were recorded in the Group during the reporting period.

Research and development activities

The group does not carry out research and development activities.

Goals and policies for the underrepresented gender

Akola ApS' only has two members in the Executive Board and no Board of Directors. Therefore, no goals have been set as regards top management. At present, these members are men.

The parent company does not have any other employees, and consequently, has not defined any goals and policies for the underrepresented gender among other management positions.

Employees

The parent company Akola ApS does not have any full-time employees.

As at 30 June 2020 the number of employees of subsidiary AB Linas Agro Group was 2,101 or 12 employees less than as at 30 June 2019 (2,113).

As at 30 June 2020 there was 56 employees in the subsidiary UAB Mestilla, which is 3 more than at 30 June 2019 (53).

Subsequent events

Subsequent events are disclosed in note 3 to the financial statements.

Consolidated financial statements and parent company financial statements 1 July - 30 June

Income statement

Note	DKK'000	Group 2019/20	Group 2018/19	Parent 2019/20	Parent 2018/19
4	Revenue	5.745,029	6,393,357	0	0
	Other operating income	42,672	36,639	0	0
	Raw materials, consumables and goods for resale	-5,077,295	-5,743,002	0	0
	Other external costs	-81,698	-94,334	-616	-2,902
	Gross profit	628,708	592.660	-616	-2,902
5	Staff costs	-377,662	-374,862	-444	-421
	Depreciation, amortization and impairment	-82,685	-81,027	0	0
6	Other operating costs	-11,342	-14,718	0	0
	Operating profit/loss	157,019	122,053	-1,060	-3,323
	Investments in subsidiaries	0	0	120,495	56,293
7	Financial income	5,542	4,784	2	0
8	Financial expenses	-33.844	-34,688	-4,165	-4,732
	Profit/loss before tax	128,717	92,149	115,272	48,238
9	Tax on profit for the year	-17,646	1,390	0	151
	Profit/loss for the year	111,071	93,539	115,272	48,389

	Group 2019/20	Group 2018/19
Breakdown of the consolidated results of operations:		
Shareholders, Akola ApS	81,172	83,135
Non-controlling interests	29,899	10,404
	111,071	93,539

Consolidated financial statements and parent company financial statements 1 July - 30 June

Balance sheet

Note	DKK'000	Group 30 June 2020	Group 30 June 2019	Parent 30 June 2020	Parent 30 June 2019
	ASSETS				
	Non-current assets				
10	Intangible assets				
	Goodwill	1,933	3,409	0	0
	Software and other intangible fixes assets	8,146	7,807	0	0
		10,079	11,216	0	0
11	Property, plant and equipment				
	Property, plant, machinery, tools and equipment	1,243,438	1,057,285	0	0
	Investment property	14,395	7,899	0	0
		1,257,833	1,065,184	0	0
	Other non-current assets				
12	Investments in subsidiaries	0	0	606,088	606,088
13	Non-current receivables	22,164	30,987	0	0
	Other investments	214	466	346	346
		22,378	31,453	606,434	606,434
	Total non-current assets	1,290,290	1,107,853	606,434	606,434
	Current assets				
	Inventories				
	Animal and livestock	89,501	89,361	0	0
	Crops	141,436	106,144	0	0
	Stock	703,206	760,637	0	0
		934,143	956,142	0	0
	Receivables				
	Trade receivables	865,939	894,201	0	0
16	Deferred tax assets	32,657	34,134	0	0
	Other receivables	58,368	75,173	372	0
	Corporate tax	0	0	592	592
14	Prepayments	40,820	52,305	0	8
		997,784	1,055,813	964	600
	Cash	156,655	116,718	84,325	907
	Total current assets	2,088,582	2,128,673	85,289	1,508
	TOTAL ASSETS	3,378,872	3,236,526	691,723	607,942

Consolidated financial statements and parent company financial statements 1 July - 30 June

Balance sheet

Note	DKK'000	Group 30 June 2020	Group 30 June 2019	Parent 30 June 2020	Parent 30 June 2019
	EQUITY AND LIABILITIES				
	Equity				
15	Share capital	106,901	106,901	106,901	106,901
	Retained earnings	928,424	860.770	443,059	342,670
	Dividend proposed for the year	14,883	0	14,883	0
	Equity holders' share of equity, Akola ApS	1,050,208	967.671	564,843	449,571
	Non-controlling interests	443,965	434.742	0	0
	Total equity	1,494,173	1,402,413	564,843	449,571
	Non-current liabilities				
16	Deferred tax	11,806	688	0	0
17	Debt to credit institutions	234,638	274,604	95,331	158,228
17	Leasing liabilities	155,481	18,471	0	0
	Grants and subsidies	42,916	45,999	0	0
	Other debts	16,497	8,143	0	0
	Total non-current liabilities	461,338	347,905	95,331	158,228
	Current liabilities				
17	Current portion of non-current liabilities	136,419	138,088	31,363	0
17	Bank loans and overdrafts	775,772	833,491	0	0
	Trade payables	328,413	339,151	75	75
	Payables to subsidiaries	0	0	0	0
	Corporate tax	1,491	8,907	0	0
	Other payables	169,548	158,809	111	68
	Prepayments	11,718	7,762	0	0
	Total current liabilities	1,423,361	1,486,208	31,549	143
	Total liabilities	1,884,699	1,834,113	126,880	158,371
	TOTAL LIABILITIES	3,378,872	3,236,526	691,723	607,942

1 Accounting policies
2 Material recognition and measurement uncertainties
3 Events after the balance sheet date
18 Contractual obligations and contingencies
19 Mortgages and collateral, etc.
20 Government Grants
21 Currency and interest rate risks and use of derivative financial instruments
22 Related parties
23 Share-based payments

Consolidated financial statements and parent company financial statements 1 July - 30 June

Statement of changes in equity

Note	DKK'000	Group: Share capital	Retained earnings	Dividend proposed for the year	Total	Non-controlling interests	Total equity
	Equity at 1 July 2018	143,039	740,323	8,767	892,129	437,382	1,329,511
	Reduction of share capital	-36,138	36,138	0	0	0	0
	Dividend distribution	0	30	-8,767	-8,737	-14,089	-22,826
	Profit for the year	0	83,135	0	83,135	10,404	93,539
	Foreign exchange adjustments, foreign subsidiary	0	1,776	0	1,776	769	2,545
	Value adjustment of hedging instruments, year-end	0	1,635	0	1,635	290	1.925
	Acquisition of own shares	0	-2,236	0	-2,236	0	-2,236
	Acquisitions of minority interests	0	-31	0	-31	-14	-45
	Equity at 1 July 2019	106,901	860,770	0	967,671	434,742	1,402,413
	Dividend distribution	0	0	0	0	-21,362	-21,362
	Profit for the year	0	66,289	14,883	81,172	29,899	111,071
	Foreign exchange adjustments, foreign subsidiary	0	-1,830	0	-1,830	-718	-2,548
	Value adjustment of hedging instruments, year-end	0	82	0	82	15	97
	Acquisitions of minority interests	0	3,113	0	3,113	1,389	4,502
	Equity at 30 June 2020	106,901	928,424	14,883	1,050,208	443,965	1,494,173

Consolidated financial statements and parent company financial statements 1 July - 30 June

Statement of changes in equity

		Parent			
Note	DKK'000	Share capital	Retained earnings	Dividend proposed for the year	Total
	Equity at 1 July 2018	143,039	260,349	8,767	412,155
	Dividend distribution	0	30	-8,767	-8,737
	Acquisition of own shares	0	-2,236	0	-2,236
	Reduction of share capital	-36,138	36,138	0	0
24	Transfer, see "Appropriation of profit/loss"	0	48,389	0	48,389
	Equity at 1 July 2019	106,901	342,670	0	449,571
24	Transfer, see "Appropriation of profit/loss"	0	100,389	14,883	115,272
	Equity at 30 June 2020	106,901	443,059	14,883	564,843

Consolidated financial statements and parent company financial statements 1 July - 30 June

Cash flow statement

Note	DKK'000	Group 2019/20	Group 2018/19
	Profit/loss before net financials	157,019	122,053
	Amortisation/depreciation charges	82,685	81,027
	Cash generated from operations before changes in working capital	239,704	203,080
25	Changes in working capital	93,723	78,893
	Cash generated from operations	333,427	281,973
	Interest received	5,542	4,784
	Interest paid	-33,844	-34,688
	Income taxes paid	-12,462	-4,646
	Cash flows from operating activities	292,663	247,423
	Acquisition of intangible assets	-1,580	-1,881
	Acquisition of property, plant and equipment	-146,289	-127,508
	Disposal of property, plant and equipment	31,902	16,554
	Other investments	-685	1,663
	Cash flows from investing activities	-116,652	-111,172
	Loan financing:		
	Increase in bank loans and overdrafts – net	-116,819	-80,663
	Shareholders:		
	Dividend distribution	-21,362	-22,826
	Acquisition of own shares	0	-2,236
	Acquisition of minority interest	-708	-45
	Other changes	2,815	4,471
	Cash flows from financing activities	-136,074	-101,299
	Net cash flows	39,937	34,952
	Cash and cash equivalents, beginning of year	116,718	81,766
	Cash and cash equivalents, year-end	156,655	116,718

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements.

Consolidated financial statements and parent company financial statements 1 July - 30 June

Notes

1 Accounting policies

The annual report of Akola ApS for 2019/20 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

Changes in significant accounting policies

The Group has applied IFRS 16 Leases from 1 July 2019.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2018/19 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

Impact of transition on financial statements

On transition to IFRS 16, the Group recognized additional right-of-use assets and lease liabilities. The impact on transition is summarized below:

	1 July 2019
Non-current assets	
Right-of-use assets	157,354
Non-current liabilities	
Lease liability	-129,780
Current liabilities	
Other payable amounts and current liabilities	-27,574
Effect on equity	-

According to IFRS 16, the Group recognised the mentioned lease-related depreciation and interest expenses but not the operating lease expenses.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate as 1 July 2019. The weighted average rate applied is 1.45 – 2.8%.

	1 July 2019
Operating lease commitments as at 30 June 2019 disclosed under IAS 17 in the Company financial statements	445
Discounted using incremental borrowing rate at 1 July 2019	95,371
Financial lease liabilities recognized as at 1 July 2019	24,817
Recognition of exemptions (low value, leases with less than 12 months term at transition)	-7,207
Extension options reasonably certain to be exercised	69,190
Lease liabilities recognised at 30 June 2019	182,171

Control

The consolidated financial statements comprise the Parent Company Akola ApS and subsidiaries controlled by Akola ApS.

Control means the power to exercise decisive influence over a subsidiary's financial and operating decisions. Moreover, the possibility of yielding a return from the investment is required.

In assessing if the Parent Company controls an entity, de facto control is taken into consideration as well.

The existence of potential voting rights which may currently be exercised or converted into additional voting rights is considered when assessing if an entity may become empowered to exercise decisive influence over another entity's financial and operating decisions.

Consolidated financial statements and parent company financial statements 1 July - 30 June

Notes

1 Accounting policies (continued)

Significant influence

Entities over whose financial and operating decisions the group exercises significant influence are classified as associates. Significant influence is assumed to exist if the Parent Company directly or indirectly holds or controls 20% or more of the voting power of the investee, but does not control the investee.

The existence of potential voting rights which may currently be exercised or converted into voting rights is considered when assessing if significant influence exists.

The Management’s review includes a group chart.

Preparation of consolidated financial statements

The consolidated financial statements have been prepared as a consolidation of the Parent Company's and the individual subsidiaries' financial statements, which are prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains unless they do not reflect impairment.

In the consolidated financial statements, the items of subsidiaries are recognised in full. Non-controlling interests' share of the profit/loss for the year and of the equity of subsidiaries which are not wholly-owned are included in the Group's profit/loss and equity, but are disclosed separately.

Acquisitions and disposals of non-controlling interests which are still controlled are recognised directly in equity as a transaction between shareholders.

Investments in associates and joint ventures are recognised in the consolidated financial statements using the equity method.

Business combinations

Recently acquired entities are recognised in the consolidated financial statements from the date of acquisition. Entities sold or otherwise disposed of are recognised up to the date of disposal. Comparative figures are not restated to reflect newly acquired entities. Discontinued operations are presented separately, see below.

The date of acquisition is the date when the Group actually obtains control of the acquiree.

The purchase method is applied to acquisitions of new businesses over which the Group obtains control. The acquired businesses' identifiable assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax related to the revaluations is recognised.

Positive differences (goodwill) between, on the one hand, the consideration for the acquiree, the value of non-controlling interests in the acquired entity and the fair value of any previously acquired equity investments and, on the other hand, the fair value of the assets, liabilities and contingent liabilities acquired are recognised as goodwill under "Intangible assets". Goodwill is amortised on a straight-line basis in the income statement based on an individual assessment of the economic life of the asset.

Negative differences (negative goodwill) are recognised in the income statement at the date of acquisition.

Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for impairment testing. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency different from the presentation currency used in the consolidated financial statements are accounted for as assets and liabilities belonging to the foreign entity and are, on initial recognition, translated into the foreign entity's functional currency using the exchange rate at the transaction date.

Consolidated financial statements and parent company financial statements 1 July - 30 June

Notes

1 Accounting policies (continued)

The consideration paid for an entity consists of the fair value of the agreed consideration in the form of assets transferred, liabilities assumed and equity instruments issued. If part of the consideration is contingent on future events or compliance with agreed terms, such part of the consideration is recognised at fair value at the date of acquisition. Subsequent adjustments of contingent considerations are recognised in the income statement.

Expenses incurred to acquire entities are recognised in the income statement in the year in which they are incurred.

Where, at the date of acquisition, the identification or measurement of acquired assets, liabilities, contingent liabilities or the determination of the consideration is associated with uncertainty, initial recognition will take place on the basis of provisional values. If it turns out subsequently that the identification or measurement of the purchase consideration, acquired assets, liabilities or contingent liabilities was incorrect on initial recognition, the statement will be adjusted retrospectively, including goodwill, until 12 months after the acquisition, and comparative figures will be restated. Hereafter, any adjustments are recognised as misstatements.

Gains or losses from divestment or winding-up of subsidiaries which imply that control is no longer maintained are calculated as the difference between, on the one hand, the selling price less selling expenses and, on the other hand, the proportionate share of the carrying amount of net assets. If the entity still holds investments in the divested entity, the remaining proportionate share of the carrying amount forms the basis for the measurement of investments in associates or securities and investments.

Non-controlling interests

On initial recognition, non-controlling interests are measured at the fair value of the non-controlling interests' ownership share or at the non-controlling interests' proportionate share of the fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities.

In the former scenario, goodwill relating to the non-controlling interests' share in the acquired entity is thus recognised, while, in the latter scenario, goodwill relating to the non-controlling interests' share is not recognised. Measurement of non-controlling interests is chosen on a transaction-by-transaction basis.

Acquisitions and disposals of non-controlling interest by the Group are accounted as equity transaction: the difference between the carrying value of the net assets acquired from/disposed to the non-controlling interests in the Group’s financial statements and the acquisition price/proceeds from disposal is accounted directly in equity.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rate at the transaction date and the rate at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at closing rates. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Foreign subsidiaries and associates are considered separate entities. Items in such entities' income statements are translated at average exchange rates for the month, and balance sheet items are translated at closing rates. Foreign exchange differences arising on translation of the opening equity of foreign entities to closing rates and on translation of the income statements from average exchange rates to closing rates are taken directly to equity.

Consolidated financial statements and parent company financial statements 1 July - 30 June

Notes

1 Accounting policies (continued)

Foreign exchange adjustments of balances with separate foreign subsidiaries which are considered part of the total investment in the subsidiary are taken directly to equity. Foreign exchange gains and losses on loans and derivative financial instruments designated as hedges of foreign subsidiaries are also recognised directly in equity.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Fair value adjustments of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with fair value adjustments of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised in other receivables or other payables and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity must be transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously recognised in equity must be transferred to the income statement in the period in which the hedged item affects the income statement.

Fair value adjustments of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement on a current basis.

Fair value adjustments of derivative financial instruments held to hedge net investments in separate foreign subsidiaries or associates are recognised directly in equity.

Income statement

Revenue recognition

The Group has chosen IFRS 15 as interpretation for revenue recognition.

The Group's sales agreements are divided into individually identifiable performance obligations, which are recognised and measured separately at fair value. If a sales agreement comprises several performance obligations, the total selling price of the sales agreement is allocated proportionately to the individual performance obligations of the agreement.

Revenue is recognised when control over the individual identifiable performance obligation is transferred to the customer.

The recognised revenue is measured at the fair value of the agreed consideration excl. VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue. The fair value corresponds to the agreed price discounted at present value where payment terms exceed 12 months.

The variable part of the total consideration, for instance discounts, bonus payments and penalty payments, etc., is not recognised in revenue until it is fairly probable that it will not be reversed in subsequent periods, for instance due to non-achievement of targets, etc.

Revenue from sales of grain, feedstuff, fertilizers, seeds, agricultural production and other food products

Revenue from contracts with customers is recognised at a point in time when control of the goods (grain, feedstuff, fertilizers, seeds, agricultural production and cattle, milk and poultry food products) are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

Consolidated financial statements and parent company financial statements 1 July - 30 June

Notes

1 Accounting policies (continued)

Where the Group has signed master framework agreements with the clients, majority of such contracts are not enforceable on their own without a specific purchase order. Every purchase order generally represents a contract with the customer in these cases, and each contract includes a single performance obligation. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. warranties, transportation, storage). Generally, the Group’s contracts do not include such promises.

Revenue from sales of machinery and equipment

In some contracts, the Group transfers control of an equipment to a customer and also grants the customer the right to return the product for various reasons after the use of the term. An asset recognised for the Group's right to recover the equipment from a customer on settling a refund liability shall initially be measured by reference to the former carrying amount of the equipment less any expected costs to recover those products (including potential decreases in the value to the Group of returned products). At the end of each reporting period, the Group updates the measurement of the asset arising from changes in expectations about products to be returned. The Group presents the asset separately from the refund liability.

Revenue from customer specific project contracts

Performance obligations arising from the project contracts with customers (for example to install grain storage facilities) are fulfilled over time and respectively the revenue is recognized over time if any of the following criteria are met: (a) the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs; (b) the Group’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group’s performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date. If the Group can reasonably measure its progress towards complete satisfaction of the performance obligation, the Group recognizes revenue and expenses in relation to each contract over time, based on the progress of performance. The progress of performance is assessed based on the proportion of the costs incurred in fulfilling the contract up to date over to the total estimated costs of the contract. Group uses an input method in measuring progress because there is a direct relationship between the Group’s effort (i.e., based on the labour hours incurred and materials used) and the output produced which provides a faithful depiction. When the Group is not be able to reasonably measure the outcome of a performance obligation (for example, in the early stages of a contract), but the Group expects to recover the costs incurred in satisfying the performance obligation, the Group recognizes revenue only to the extent of the costs incurred until such. When it is determined that the costs of the contract are expected to exceed the revenue, the entire estimated loss amount is recognized in profit (loss).

Expense recognition

Expenses are recognized on the basis of accrual and revenue and expenses matching principles in the reporting period when the income related to these expenses was earned, irrespective of the time the money was spent. In those cases when costs incurred cannot be directly attributed to the specific income and they will not bring income during the future periods, they are expensed as incurred.

Raw materials, consumables and good for resale comprise costs incurred in generating the revenue for the year.

Other external cost comprised expenses for administration, office premises and office expenses etc.

Other operating income

Other operating income comprises items secondary to the entities' activities, including gains on disposal of intangible assets and items of property, plant and equipment.

Consolidated financial statements and parent company financial statements 1 July - 30 June

Notes

1 Accounting policies (continued)

Other operating expenses

Other operating expenses comprise items secondary to the entities' activities, including losses on disposal of intangible assets and items of property, plant and equipment.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance and pensions, and other social security costs, etc., for the Group's employees.

Non-current employee benefits

Share-based payments

Employees of the sub-group AB Linas Agro Group and UAB Mestilla receive remuneration in the form of share-based payments. No expense is recognised however the conditions are further described in Note 23.

Financial income and expenses

Financial income and expenses comprise interest income and expenses, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Dividend income is recognised when dividends attributable to the Group are declared.

Tax for the year

The Parent Company is subject to the Danish rules on mandatory joint taxation of the Group's Danish subsidiaries. Subsidiaries are included in the joint taxation arrangement from the date when they are included in the consolidated financial statements and up to the date when they are no longer consolidated.

The Parent Company acts as management company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

On payment of joint taxation contributions, the Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

The tax expense for the year, which comprises the year's current tax charge, joint taxation contributions and changes in the deferred tax charge – including changes arising from changes in tax rates – is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Grants and subsidies

Government grants and subsidies (hereinafter “grants”) are recognized where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with.

Grants received in the form of cash intended for the purchase, construction or other acquisition of non-current assets are considered as asset-related grants. The amount of the assets related grants is recognized as deferred income in the financial statements as used in parts according the depreciation of the asserts associated with this grant.

Consolidated financial statements and parent company financial statements 1 July - 30 June

Notes

1 Accounting policies (continued)

Grants received as a compensation for the expenses or unearned income of the current or previous reporting period, also, all the grants, which are not grants related assets, are considered as grants related to income. The income-related grants are recognized as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by the grants.

Balance sheet

Intangible assets

Goodwill

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period, which is 10 years. The amortisation period is fixed on the basis of the expected repayment horizon, longest for strategically acquired business enterprises with strong market positions and long-term earnings profiles.

Software

The cost of acquisition of new software are capitalised and treated as an intangible asset if these costs are not an integral part of the related hardware. Software is amortised over a period of 3-4 years.

Costs incurred in order to restore or maintain the future economic benefits that the group expects from the originally assessed standard of performance of existing software systems are recognised as an expense when the restoration or maintenance work is carried out.

Patents and licences

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining term of the patent, and licences are amortised over the term of the licence, being 3-4 years.

Gains and losses on the disposal of patents and licences are determined as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Property, plant and equipment

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

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

	Till 1 July 2018	From 1 July 2018
Buildings	15-40 years	20-50 years
Plant and machinery	4-15 years	10-20 years
Fixtures and fittings, plant and equipment	3-20 years	4-20 years
Investments property	20-40 years	20-50 years

Consolidated financial statements and parent company financial statements 1 July - 30 June

Notes

1 Accounting policies (continued)

The basis of depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the depreciation period or the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

Depreciation is recognised in the income statement as separate item.

Gains and losses on the disposal of items of property, plant and equipment are calculated as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Leases applicable from 1 January 2019

Leased assets and lease commitments are recognised in the balance sheet when the leased asset under a lease entered into regarding a specific identifiable asset is made available to the Group in the lease term, and when the Group obtains the right to almost all economic benefits from the use of the identified asset and the right to control the use of the identified asset.

On initial recognition, lease commitments are measured at the present value of the future lease payments discounted by an incremental borrowing rate. The following lease payments are recognised as part of the lease commitment:2

- Fixed payments.
- Variable payments that change concurrently with changes to an index and an interest rate based on said index or interest rate.
- Payments overdue subject to a residual value guarantee.
- Exercise price of call options that it is highly probable that Management will exercise.
- Payments subject to an extension option that it is highly probable that the Group will exercise.
- Penalty related to a termination option unless it is highly probable that the Group will not exercise the option.

The lease commitment is measured at amortised cost according to the effective interest method. The lease commitment is recalculated when the underlying contractual cash flows change due to changes in an index or an interest rate if the Group's estimate of a residual value guarantee changes or if the Group changes its assessment of whether call options, extension options or termination options can reasonably be expected to be exercised.

On initial recognition, the leased asset is measured at cost, corresponding to the value of the lease commitment adjusted for prepaid lease payments plus directly related costs and estimated costs for demolition, repairs or the like and less discounts or other types of incentive payments received from the lessor.

Subsequently, the asset is measured at cost less accumulated depreciation and impairment losses. The leased asset is depreciated over the shorter of the lease term and the useful life of the leased asset. Depreciation charges are recognised on a straight-line basis in the income statement.

The leased asset is adjusted for changes to the lease commitment due to changes to the terms of the lease or changes to the cash flows of the lease concurrently with changes to an index or an interest rate.

Consolidated financial statements and parent company financial statements 1 July - 30 June

Notes

1 Accounting policies (continued)

Leased assets are depreciated on a straight-line basis over the expected lease term, which is:

• Land from 4 to 99 years
• Premises from 1 to 8 years
• Machinery and equipment from 4 to 7 years • Vehicles from 4 to 5 years
• Other right-of-use assets from 1 to 6 years

The Group has chosen not to recognise leased assets of a low value and short-term leases in the balance sheet. Instead, related lease payments are recognised on a straight-line basis in the income statement.

The Group as a lessor

Assets leased out under operating leases are included in property, plant and equipment and investment property in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar property, plant and equipment of the Group. Rental income is recognised on a straight-line basis over the lease term.

Leases applicable before 1 January 2019

For financial reporting purposes, leases are classified as finance leases and operating leases.

A lease is classified as a finance lease when the most significant risks and rewards of ownership of the leased asset are transferred to the lessee. All other leases are classified as operating leases.

The cost of assets held under finance leases is recognised at the lower of fair value of the assets and the present value of the future minimum lease payments. For the calculation of the net present value, the interest rate implicit in the lease or the Group's incremental borrowing rate is used as discount rate.

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

Assets held under operating leases are recognised, measured and presented in the balance sheet as the Group's other similar assets. Lease income is recognised in the income statement on a straight-line basis over the lease term.

Investments in associates

Investments in associates are measured according to the equity method.

Investments in associates are measured at the proportionate share of the entities' net asset value calculated in accordance with the Group's accounting policies minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the purchase method of accounting.

Investments in subsidiaries (parent company)

Investments in subsidiaries are measured at cost. Cost includes the consideration measured at fair value plus direct purchase costs.

Dividend from investments in subsidiaries is recognised in the income statement in the year of declaration. Distributions of dividend where the dividend exceeds the profit for the year or where the carrying amount of the Company's investments in the subsidiary exceeds the carrying amount of the subsidiary's net asset value will be evidence of impairment, meaning that an impairment test must be conducted.

Impairment of non-current assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is tested annually for impairment.

Consolidated financial statements and parent company financial statements 1 July - 30 June

Notes

1 Accounting policies (continued)

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. Assets are written down to the lower of the carrying amount and the recoverable amount.

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the net present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Biological assets

The group's biological assets include animals and livestock, poultry and crops.

Animals and livestock are accounted for at fair value less costs to sell. The fair value of milking cows is measured using discounted cash flows method. Other livestock is measured at comparable market price.

Poultry is accounted for at fair value less cost to sell. The fair value of poultry is measured based on future value of chickens/meat broilers/eggs less costs to maintain.

Crops are accounted for at fair value less costs to sell. The fair value of crops is measured at comparable market prices based on expected yield (level 3).

Agricultural produce harvested from an entity's biological assets is measured at its fair value less estimated costs to sell at the point of harvest. Such measurement is further the cost of inventories.

All changes in fair value of biological assets were accounted for under cost of sales in the income statement.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and production overheads. Indirect production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are assessed for objective evidence of impairment on a portfolio basis. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the net present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Consolidated financial statements and parent company financial statements 1 July - 30 June

Notes

1 Accounting policies (continued)

Construction contracts

Construction contracts (i.e. customer specific contracts) are measured at the selling price of the work performed. The selling price is measured by reference to the percentage of completion at the balance sheet date and the total expected income from the relevant contract.

When the selling price of a construction contract cannot be measured reliably, the selling price is measured at the lower of costs incurred and net realisable value.

Individual construction contracts are recognised in the balance sheet under either receivables or payables. Net assets are determined as the sum of construction contracts where the selling price of the work performed exceeds progress billings. Net liabilities are determined as the sum of construction contracts where progress billings exceed the selling price.

Selling costs and costs incurred in securing contracts are recognised in the income statement when incurred.

Prepayments

Prepayments recognised under "Current assets" comprise expenses incurred concerning subsequent financial years.

Equity

Dividend

Dividend proposed for the year is recognised as a liability at the date when it is adopted at the general meeting (declaration date). Dividend expected to be distributed for the year is disclosed as a separate item under equity.

Own shares

Acquisition and sale of own shares is recognised under equity at cost.

Income tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on prior-year taxable income and tax paid on account.

Joint taxation contribution payable and receivable is recognised in the balance sheet as "Income tax receivable" or "Income tax payable".

Consolidated financial statements and parent company financial statements 1 July - 30 June

Notes

1 Accounting policies (continued)

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes or on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting neither the profit/loss for the year nor the taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at net realisable value or fair value. If the obligation is expected to be settled far into the future, the obligation is measured at fair value.

Onerous contract provision is recognised when the Group has a present obligation (legal or constructive) to purchase the goods from a third party in the future for a price higher than the market selling price at the reporting date or to sell the goods to a third party in the future for a price lower than the market purchase price at the reporting date. The difference between the value of the contract and its market price at the reporting date is charged to cost of sales in the income statement. Such accounting treatment of the Group’s contract is applied as long as these contracts have not been accounted for as derivative financial instruments.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income, recognised under "Liabilities", comprises payments received concerning income in subsequent years.

Fair value

Fair value measurements are based on the principal market. If no principal market exists, the measurement is based on the most advantageous market, i.e. the market that maximises the price of the asset or liability less transaction and/or transport costs.

Consolidated financial statements and parent company financial statements 1 July - 30 June

Notes

1 Accounting policies (continued)

All assets and liabilities which are measured at fair value, or whose fair value is disclosed, are classified based on the fair value hierarchy, see below:

Level 1: Value in an active market for similar assets/liabilities

Level 2: Value based on recognised valuation methods on the basis of observable market information

Level 3: Value based on recognised valuation methods and reasonable estimates (non-observable market information).

Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and disposals of entities is shown separately in cash flows from investing activities. Cash flows from corporate acquisitions are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of entities are recognised up until the date of disposal.

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and income taxes paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities, activities and intangible assets, property, plant and equipment and financial assets.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, and payment of dividend to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are subject to only minor risks of changes in value.

Segment information

Information is disclosed by activity and geographical market. Segment information follows the Group's accounting policies, risks and internal financial management.

Assets in the segment comprises the assets that are used directly in the revenue-generating activity of the segment.

Segment liabilities comprise liabilities resulting from the activities of the segment, including trade and other payables.

Financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios".

Consolidated financial statements and parent company financial statements 1 July - 30 June

Notes

2 Material recognition and measurement uncertainties

The preparation of financial statements in conformity the Danish Financial Statements Act requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies.

Significant accounting judgments

The significant areas of judgement used in the preparation of these financial statements are described as follows:

- Principal versus agent assessment
- Determining control of Karccemos kooperatine bendroce
- Accounting for trading contracts
- Receivables from agricultural produce growers and payments on agricultural produce growers' behalf

Significant accounting estimates

The significant areas of estimation used in the preparation of these financial statements related to:

- Valuation of biological assets
- Impairment of property, plant and equipment (excluding land)
- Impairment of land (accounted for as property, plant, and equipment and investment property)
- Impairment of Parent company's investments in subsidiaries and loans granted
- Impairment of goodwill
- Assessment of inventories net realizable value
- Assessment of trade receivables allowance

Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimated will be recorded in the financial statements, when determinable. The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3 Events after the balance sheet date

There were no material events after the date of the statement of financial position that would require adjustment or disclosure in these financial statements.

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4 Segment information

Activities – primary segment

DKK'000	Consolidated 2019/20	Consolidated 2018/19
Grains and feedstuff handling and merchandising	3,056,463	3,740,124
Products and services for farming	1,139,177	1,083,199
Agricultural production	206,594	191,179
Other products and services	207,179	186,515
Food products	738,874	794,733
Sales of fatty acid and related products	542,707	561,258
Adjustments and eliminations	-145,965	-163,651
Revenue	5,745,029	6,393,357

Geographical – secondary segment

DKK'000	Consolidated 2019/20	Consolidated 2018/19
CIS	134,161	205,951
Lithuania	1,635,770	1,694.769
Europe (except for Scandinavia, CIS and Lithuania)	1,794,293	1,891,263
Scandinavian countries	1,219,700	1,581,559
Asia	679,303	644,708
Africa	281,802	375,107
Revenue	5,745,029	6,393,357

	Group		Parent	
DKK'000	2019/20	2018/19	2019/20	2018/19
5 Staff costs				
Wages and salaries	351,461	311,544	444	421
Pension costs	651	241	0	0
Social security costs	29,598	53,914	0	0
Other staff costs	-4,048	9,163	0	0
	377,662	374,862	444	421
Average number of full-time employees	2,157	2,166	0	0

Executive board consists of one person in parent company, thus remuneration to Executive Board is not disclosed.

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6 Fees paid to auditors appointed at the annual general meeting

	Group	
DKK'000	2019/20	2018/19
Total fee to EY	182	1,772
Fee for statutory audit	125	1,575
Fees for tax advisory services	27	41
Other assistance	30	156
	182	1,772

7 Financial income

	Group		Parent	
DKK'000	2019/20	2018/19	2019/20	2018/19
Interest income from subsidiaries	0	0	0	0
Other interest income	5,542	4,784	2	0
	5,542	4,784	2	0

8 Financial expenses

Interest expenses, subsidiaries	0	0	331	44
Other interest expenses	33,844	34,688	3,834	4,688
	33,844	34,688	4,165	4,732

9 Tax for the year

Current tax charge for the year	6,116	12,291	0	0
Adjustment of the deferred tax charge for the year	12,568	-13,316	0	0
Adjustment of tax for previous years	-1,038	-365	0	-151
	17,646	-1,390	0	-151

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10 Intangible assets

DKK'000	Group Goodwill	 Software and other intangible fixed assets	 Total
Cost at 1 July 2019	14,711	14,815	29,526
Foreign currency translation adjustments, foreign entities	-10	-11	-21
Additions	0	1,625	1,625
Transferred from property, plant and equipment	0	283	283
Disposals	0	-1,364	-1,364
Cost at 30 June 2020	14,701	15,348	30,049
Amortisation and impairment losses at 1 July 2019	11,302	7,008	18,310
Amortisation	1,466	1,230	2,696
Disposals	0	-1,036	-1,036
Amortisation and impairment losses at 30 June 2020	12,768	7,202	19,970
Carrying amount at 30 June 2020	1,933	8,146	10,079
Amortised over	10 years	3-4 years	

11 Property, plant and equipment

DKK'000	Group Investment properties	 Property, plant, machinery etc.	 Total
Cost at 1 July 2019	8,683	1,812,541	1,821,224
Exchange rate adjustment relating to foreign entities	-12	-499	-511
Effect of adoption of IFRS 16 1st July 2019	0	156,297	156,297
Additions	410	134,370	134,780
Acquisition of subsidiaries	7,900	32,277	40,177
Transferred from inventory	179	11,119	11,298
Disposals	-1,953	-70,501	-72,454
Cost at 30 June 2020	15,207	2,075,604	2,090,811
Depreciation and impairment losses at 1 July 2019	784	755,256	756,040
Exchange rate adjustment relating to foreign entities	0	0	0
Depreciation	30	117,460	117,490
Disposals	-2	-40,550	-40,552
Depreciation and impairment losses at 30 June 2020	812	832,166	832,978
Carrying amount at 30 June 2020	14,395	1,243,438	1,257,833
Property, plant and equipment include assets held under leases with a carrying amount totalling	0	156,297	156,297
Depreciated over	20-50 years	10-50 years	

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DKK'000	Parent 2019/20	Parent 2018/19
12 Investments in subsidiaries		
Cost at 1 July	606,088	606,088
Cost price at 30 June	606,088	606,088

Name and registered office	Voting rights and ownership
UAB MESTILLA, Lithuania	84,93%
AB Linas Agro Group, Lithuania	69,15%
AB Linas Agro Group investments into directly or indirectly controlled subsidiaries:	
AB Linas Agro, Lithuania	100%
LLC Linas Agro Ukraine	100%
UAB Linas Agro Konsultacijos, Lithuania	100%
UAB Dotnuva Baltic, Lithuania	100%
SIA Dotnuva Baltic, Latvia	100%
AS Dotnuva Baltic, Estonia	100%
UAB Jungtine Ekspedicija, Lithuania	100%
UAB Landvesta 1, Lithuania	100%
UAB Landvesta 2, Lithuania	100%
UAB Landvesta 3, Lithuania	100%
UAB Landvesta 4, Lithuania	100%
UAB Landvesta 5, Lithuania	100%
UAB Landvesta 6, Lithuania	100%
Noreikiskiu ZUB, Lithuania	100%
UAB Lineliai, Lithuania	100%
UAB Noreikiskes, Lithuania	100%
SIA Lielzeltini, Latvia	100%
SIA Cerova, Latvia	100%
SIA Broileks, Latvia	100%
SIA Linas Agro, Latvia	100%
UAB Linas Agro Grudu Centras, Lithuania	100%
UAB Linas Agro Grudu Centras KUB, Lithuania	100%
SIA Linas Agro Graudu Centras, Latvia	100%
Linas Agro A/S, Denmark (under liquidation)	100%
Uzupes ZUB, Lithuania	100%
UAB Paberžėlė	100%
UAB Kekava Foods LT.Lithuania	97,16%
AS Putnu fabrika Kekava, Latvia	97,16%
SIA PFK Trader , Latvia	97,16%
Birzai district Medeikiu ZUB, Lithuania	98,39%
Sakiai district Luksiu ZUB, Lithuania	98,82%
Panevézys district Aukstadvario ZÜB, Lithuania	99,54%
Sidabravo ZUB, Lithuania	96,25%
Kédainai district Labunavos ZÜB, Lithuania	98,95%
Panevézys district Zibartoniu ZÜB, Lithuania	99,90%
ZUK KUPISKIO GRUDAI, Lithuania	99,15%
Karcemos kooperatiné bendrove, Lithuania	84%
Kèidainia District ZUB Nemunas, Lithuania	67,44
SIA Zemvalda Land Management Holdings 1	100%
SIA Zemvalda Land Management Holdings 2	100%
SIA Zemvalda Land Management Holdings 3	100%
SIA Zemvalda Land Management Holdings 4	100%
SIA Zemvalda Land Management Holdings 5	100%
SIA Zemvalda Land Management Holdings 6	100%
SIA Zemvalda Land Management Holdings 7	100%
UAB Zemvaldos Turtas 1	100%

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Name and registered office (continued)	Voting rights and owner-ship
UAB Zemvaldos Turtas 2	100%
UAB Zemvaldos Turtas 3	100%
UAB Zemvaldos Turtas 4	100%
UAB Zemvaldos Turtas 5	100%
UAB Zemvaldos Turtas 6	100%
UAB Zemvaldos Turtas 7	100%
UAB Zemvaldos Turtas SPV 1	100%
UAB Zemvaldos Turtas SPV 2	100%
UAB Zemvaldos Turtas SPV 3	100%
UAB Zemvaldos Turtas SPV 4	100%
UAB Zemvaldos Turtas SPV 5	100%
UAB Zemvaldos Turtas SPV 6	100%
UAB Zemvaldos Turtas SPV 7	100%

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DKK'000	Group 2019/2020	Group 2018/19	Parent 2019/20	Parent 2018/19
13 Receivables				
Portion falling due for payment after one year after the financial year-end	22,164	30,987	0	0

DKK'000	Group 2019/20	Group 2018/19
14 Prepayments		
Prepayments to agricultural produce growers	1,471	4,865
Prepayment to other suppliers	39,349	47,440
	40,820	52,305

Accruals and prepayments include phasing of costs, which relate to the following year, mainly including payments for commodities, and a smaller part regarding accruals of operating expenses.

15 Share capital

The share capital comprises:

106,901,430 class A shares of DKK 1 each

Every class A share carries 1 voting right. The share capital was reduced by 36,137,468 shares in 2018/19. Before that the share capital had remained unchanged for the previous four years.

DKK'000	Group 2019/20	Group 2018/19
16 Deferred tax		
Deferred tax at 1 July	33,446	20,231
Adjustment of the deferred tax charge for the year	-12,568	13,184
Foreign currency translation adjustments	-27	31
Tax on equity transactions	0	0
Deferred tax at 30 June, net	20,851	33,446
Deferred income tax asset consists of:		
Tax losses carry forward	10,918	15,084
Accruals	8,265	7,740
Investment incentive	4,062	5,411
Differences in tax base of trade receivables	3,100	3,224
Allowance for inventories	857	2,314
Others	5,455	5,762
Total deferred income tax asset	32,657	39,535

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Deferred tax (continued)

DKK'000	2019/20	2018/19
Deferred income tax liability consists of:		
Property, plant, equipment and investment property	-5,075	-5,120
Fair value	-6,156	-649
Other	-575	-320
	-11,806	-6,089

The Group’s deferred income tax asset and liability were set-off to the extent they relate to the same tax administration institution and the same taxable entity.

	Group	
DKK'000	2019/20	2018/19
Deferred tax is recognized in the balance sheet as follows:		
Deferred tax asset	32,657	34,134
Deferred tax liability	-11,806	-688
	20,851	33,446

17 Debt to credit institutions and other credit institutions

Analysis of liabilities:

The liabilities are recognised in the balance sheet as follows:

Non-current liabilities	390,119	324,422
Current liabilities	912,191	940,232
	1,302,310	1,264,654
Non-current liabilities falling due more than five years after financial year-end (carrying amount)	57,750	23.801

As at 30 June 2020 Karčemos Kooperatinė Bendrovė did not comply with the covenants and received bank waivers in terms of covenants breach till the end of the financial year (the sum of the borrowings – DKK 3,167 thousand).

During the year ended 30 June 2019 nine of the Group companies did not comply with the covenants, total sum of borrowings – DKK 910,380 thousand (out of which DKK 901,237 thousand was presented as current borrowings and DKK 9,142 thousand as non-current). Because of non-compliance the Group re-classified the above-mentioned non-current borrowings amount to the currant borrowings caption. Two companies received bank waivers in terms of covenants breach till the end of the financial year and the remaining subsidiaries received the bank waivers after the end of the financial year.

As at 30 June 2020 the Group’s not utilized credit lines comprise DKK 555,167 thousand (DKK 487,564 thousand as at 30 June 2019). The fair value of the Group’s and the Company’s borrowings approximate their carrying amount.

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18 Contractual obligations and contingencies, etc.

Contingent liabilities

As at 30 June 2020 the Group is committed to purchase property, plant and equipment for the total amount of DKK 9,994 thousand (DKK 14,465 thousand as at 30 June 2019).

A few Group companies (Panevėžys district Aukštadvario ŽŪB, Šakiai district Lukšių ŽŪB, Sidabravo ŽŪB, Kėdainių district Nemunas ŽŪB and Panevėžys district Žibartonių ŽŪB) received grants from the European Union and National Paying Agency for acquisition of agricultural equipment.

Panevėžys district Aukštadvario ŽŪB, Sidabravo ŽŪB are committed not to discontinue operations related to agricultural up to the end of 2021, Šakiai district Lukšių ŽŪB – up to 2020 and 2021, Kėdainių district Nemunas ŽŪB, Panevėžys district Žibartonių ŽŪB – up to 2022. UAB Linas Agro Grūdų Centras KŪB received grants from the European Union and National Paying Agency (Lithuania) for grain handling and storage facility upgrade. UAB Linas Agro Grūdų Centras KŪB is committed not to discontinue operations related to preparation and warehousing of grains for trade agriculture up to 2020 and 2021.

SIA Lielzeltini, AS Putnu fabrika Kekava received grants from the European Union and Rural Support Service (Latvia) for poultry farm, feedstuffs production and storages upgrade. SIA Lielzeltini is committed not to discontinue broiler breeding, slaughtering and sale of products, feedstuffs up to 2020, AS Putnu fabrika Kekava – up to 2020, 2022 and 2023.

In case of non-compliance with the requirements the Group companies will have to return funds received to the state of Lithuania and Latvia amounting to DKK 21,300 thousand as at 30 June 2020 (DKK 18,661 thousand as at 30 June 2019). Group has no plans to discontinue above mentioned operations.

As at 30 June 2020 the balance of guarantees and warranties issued by the Group to the banks for the controlled companies (directly and indirectly controlled subsidiaries) amounted to DKK 430,350 thousand (DKK 124,920 thousand as at 30 June 2019).

The Group’s guarantees are issued for the loans granted to Group’s companies. The Group is obliged to repay the companies’ liabilities to banks in full, if the subsidiaries are not able to do it themselves. The management of the Group believes that the subsidiaries on behalf of which guarantees and warranties were issued will meet their liabilities to the creditors, therefore, no provisions in respect of these guarantees were accounted for in the financial statements as at 30 June 2020 and 30 June 2019.

As of 30 June 2020 the Group, in addition that was accounted for under refund liabilities (sale of equipment with right of return) caption, has a commitments in amount of DKK 12,699 thousand to purchase agriculture equipment from leasing providers in case the customers will not use option to repurchase equipment at the end of lease period (30 June 2019 – DKK 11,641 thousand restated).

In August 2018 the Group company AB Linas Agro received a ruling from the Customs of the Republic of Lithuania (hereafter – Customs) stating that Customs made additional calculation for the calendar year 2016 – 2017. The decision increased the taxes in DKK 4,799 thousand for fertilizers import in mentioned period. The AB Linas Agro management estimate the possibility to pay the taxes is 50 % and recognized as accruals in DKK 2,400 thousand amount. AB Linas Agro management does not concur with Customs assessment and the decision is appealed. During the year ended 30 June 2019 the company AB Linas Agro paid custom tax amounted to DKK 3,696 thousand, which was accounted by reducing the accruals in DKK 1,848 thousand amount.

Almex, former customer, has filed an appeal to the Court of Appeal in Serbia regarding the refusal of the Commercial Court to rule in the case regarding the alleged damages of DKK 13,415 thousand. As at 30 June 2020 the Group‘s management is of opinion that the appeal has no sound grounds therefore no provision was recorded in the consolidated accounts regarding this matter.

Parent company

The Parent Company is jointly taxed with its Danish subsidiary. As management company, the Company has joint and several unlimited liability, together with the subsidiary, for all Danish income taxes and withholding taxes on dividend, interest and royalties within the group of jointly taxed entities.

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19 Mortgages and collateral

As at 30 June 2020 and 30 June 2019 part of property, plant and machinery, investment property, biological assets, inventories, trade receivables and bank accounts were pledged to banks as a collateral for the bank loans – see below.

In the sub-group AB Linas Agro Group, as at 30 June 2020 the following assets have been pledged by the banks as collateral for the bank loans:

- As at 30 June 2020 property, plant and machinery of the Group with the net book value of DKK 704 million (DKK 651 million as at 30 June 2019) was pledged to banks as a collateral for the loans
- As at 30 June 2020 investment property of the Group with a net book value of DKK 2 million (DKK 4 million as at 30 June 2019) was pledged to banks as a collateral for the loans
- As at 30 June 2020 part of the non-current receivables of the Group with the carrying value of DKK 5 million (DKK 10 million as at 30 June 2019) were pledged to banks as collateral for the bank loans
- As at 30 June 2020 animal and livestock of the Group with a net book value of DKK 57 million (DKK 21 million as at 30 June 2019) was pledged to banks as a collateral for the loans
- As at 30 June 2020 inventories of the Group with the carrying value of DKK 429 million (DKK 458 million as at 30 June 2019) were pledged to banks as collateral for the bank loans
- As at 30 June 2020 part of the prepayments of the Group with the carrying value of DKK 23 million (DKK 33 million as at 30 June 2019) were pledged to banks as collateral for the bank loans
- As at 30 June 2020 the Group transferred rights to part of its trade receivables with the value of DKK 734 million (DKK 715 million as at 30 June 2019) to banks as collateral for the bank loans.
- Factorised trade receivables in the amount of DKK 1 million (DKK 14 million as at 30 June 2019) are included in aggregate amount of collateral for the loans.
- As at 30 June 2020 the Group pledged cash of DKK 39 million (DKK 24 million as at 30 June 2019) to banks as collateral for the loans

In the subsidiary UAB Mestilla, as at 30 June 2020 the following assets have been pledged by the banks as collateral for the bank loans:

- Property, plant and equipment and other assets by the carrying amount of DKK 95 million (DKK 96 million as at 30 June 2019).
- Current and future inflows in the bank account at Swedbank AS.
- All inventory by the carrying amount of up to DKK 111 million (DKK 90 million as at 30 June 2019).
- Trade receivables amounting to DKK 52 million (DKK 66 million as at 30 June 2019).
- The rights to sublease the land plot.

In the parent company, as at 30 June 2020 the following assets have been pledged by the banks as collateral for the bank loans:

- As at 30 June 2020 the parent company pledged account turnover in all financial institutions of DKK 84 million (DKK 908 thousand as at 30 June 2019) to banks as collateral for the loans.
- As at 30 June 2020 ordinary registered uncertified shares of DKK 1,050 million (DKK 968 million as at 30 June 2019) to banks as collateral for the loans.

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20 Government Grants

As at 30 June 2020 government grants are recognised in the statement of financial position as non-current liabilities (DKK 42,927 thousand) and other current liabilities (DKK 4,047 thousand) (as at 30 June 2019 DKK 45,999 thousand as non-current liabilities and DKK 5,135 thousand as current liabilities).

The major part of the Group's grants consists of the funds received from the European Union and National Paying Agency for the purpose of an acquisition of machinery and equipment (property, plant and equipment).

The amortisation of grants of the Group for the years ended 30 June 2020 and 30 June 2019 was included into the following captions:

DKK'000	2019/20	2018/19
Depreciation (reduces the depreciation expenses of related assets)	4,114	5.001
Other external costs	45	52
Biological assets	641	306
	4,800	5,157

21 Currency and interest rate risks and use of derivative financial instruments

The Group uses derivative financial instruments (hedging instruments) such as forward exchange contracts and interest and currency swaps to hedge recognised and non-recognised transactions.

Currency risks

Currencies other than DKK and EUR:

	30 June 2020		30 June 2019	
Currency (DKK'000)	Assets	Liabilities	Assets	Liabilities
USD	48,539	38,306	61,529	28,183
PLN	7,549	439	7,210	642
Total exposure	56,088	38,745	69,239	29,019

The Group uses financial derivatives to manage the USD foreign currency exchange risks.

Sensitivity to a reasonable possible change of UAH is not disclosed as it is not significant to the financial statements.

Interest rate risks

The majority part of the Group's borrowings are with variable interests, related to EURIBOR that creates an interest risk. The Group uses interest rate swaps to hedge interest rate fluctuations risk for loans with variable interest rate.

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21 Currency and interest rate risks and use of derivative financial instruments (continued)

Derivative financial instruments

The group uses the hierarchy described in accounting policies for determining and disclosing the fair value of derivative financial instruments:

Derivative financial instruments	Fair value	30 June 2020	30 June 2019
Derivative financial instruments used to hedge the price risk (current portion) – assets	Level 1	4,389	-
Derivative financial instruments used to hedge the price risk (current portion) – liabilities	Level 1	-3,157	-4,702
Foreign exchange forward and swap contracts – assets	Level 2	836	-
Foreign exchange forward and swap contracts – liabilities	Level 2	-754	-2,896
Other derivatives		-202	276
Fair value, net		1,112	-7,322
Included under other assets		5,225	992
Included under other liabilities		-4,113	-8,314

22 Related parties

Akola ApS related parties comprise the following:

Parties exercising control

UAB Darius Zubas Holding, Lithuania holds the majority of the share capital in the entity.

Darius Zubas, exercise control as the owner of UAB Darius Zubas Holding.

Parent:

Besides distribution of dividend, no other transactions were carried through with shareholders in the financial year.

Remuneration/fees to members of the Executive Board are carried out on arm's length basis.

23 Share-based payments

The sub-group AB Linas Agro Group, following the Rules for Granting Equity Incentives approved on 1st of June 2018 acting in accordance with the decision of the General Shareholders meeting of 1st of June 2018, signed options contracts with employees of AB Linas Agro Group and of the subsidiaries, in which AB Linas Agro Group 50 percent or more of shares, for 4,610,180 ordinary registered shares of AB Linas Agro Group. During the years 2021-2023, according to the procedures and terms established in options contracts employees will be able to exercise the right to acquire the above mentioned number of ordinary registered EUR 0.29 (DKK 2.16) nominal value shares of AB Linas Agro Group.

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23 Share-based payments (continued)

50% of all shares options will vest in three years-time from signing of the option agreements, 25% - in four years-time and the rest 25% - in five years-time. There are no other vesting conditions, except for the requirement for a person to be employed at AB Linas Agro Group for the above specified period of time, i.e. 50% of shares options will vest if a particular person is still employed for three years from signing of the share options agreement. 25% will vest if a person is employed for four years from signing of the share options agreement and the rest 25% of shares options will vest if a person is employed for five years from signing of the share options agreement date. Share options are exercisable during the two months period after each vesting period ends for particular tranche.

Grant date is considered to be 29th of June 2018 when principle terms of share options agreements were presented to employees participating in share options incentive.

On 28 February 2020 the sub-group AB Linas Agro Group signed additional option contracts with employees of AB Linas Agro Group subsidiaries, in which AB Linas Agro Group owns 50 percent or more of shares, for 2,265,625 ordinary registrered shares of AB Linas Agro Group. In year 2023, according to the procedures and terms established in option contracts, employees will be able to exercise the right to acquire the above mentioned number of ordinary registered EUR 0.29 (DKK 2.16) nominal value shares of AB Linas Agro Group provided to the employee free of charge under the terms and conditions established by the rules.

100% of all share options will vest in three years-time from signing of the option agreement.

The Parent Company, approved on 1st of March 2019 acting in accordance with the decision of the General Shareholders meeting of 13th of December 2018, signed options contracts with employees of UAB Mestilla, for 12,187,500 ordinary shares of UAB Mestilla. During March 2022, according to the procedures and terms established in options contracts employees will be able to exercise the right to acquire the above-mentioned number of ordinary EUR 0.29 (DKK 2.16) nominal value shares of UAB Mestilla with the price of each issue being EUR 0.29 (DKK 2.16) and provided to the employee free of charge under the terms and conditions established by the rules.

Grant date is considered to be 1st of March 2019 when principle terms of share options agreements were presented to employees participating in share options incentive.

		Parent	
	DKK'000	2019/20	2018/19
24	**Appropriation of profit/loss**		
	Recommended appropriation of profit/loss		
	Dividend proposed for the year	14,883	0
	Transferred to reserves under equity	100,389	48,389
		115,272	48,389

		Group	
	DKK'000	2019/20	2018/19
25	**Changes in working capital**		
	Change in inventories	21,999	43,884
	Change in receivables	65,375	24,539
	Change in trade and other payables	6,349	10,470
		93,723	78,893