Lallemand Denmark A/S

Bredstrupvej 33
DK-8500 Grenaa

CVR no. 26 01 49 80

Annual report 2019/20

The annual report was presented and approved at the Company's annual general meeting on

13 May 2020

Nicolai Francis Jensen
chairman

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Lallemand Denmark A/S for the financial year 1 February 2019 – 31 January 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 Group's and the Parent Company's assets, liabilities and financial position at 31 January 2020 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 February 2019 – 31 January 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, of the results for the year and of the Group's and the Parent Company's financial position.

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

Grenaa 13 May 2020
Executive Board:

Nicolai Francis Jensen

Board of Directors:

William John Nankervis Chairman	Johannes Gerhardus Steenkamp	Lars Overvad Asferg
Antoine Chagnon	Francois Leblanc	

Independent auditor's report

To the shareholders of Lallemand Denmark A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Lallemand Denmark A/S for the financial year 1 February 2019 – 31 January 2020 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the Parent Company and a cash flow statement for the Group. 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 Group's and the Parent Company's assets, liabilities and financial position at 31 January 2020 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 February 2019 – 31 January 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" section of our report.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the consolidated financial statements and the parent company 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 that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made on the basis of these consolidated financial statements and parent company financial statements.

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

— identify and assess the risks of material misstatement of the consolidated financial statements and parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

— evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company 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.

Independent auditor's report

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements or the parent company 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.

Based on the work we have performed, we conclude that the Management's review is in accordance with the consolidated financial statements and the parent company 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.

Aarhus, 13 May 2020
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Mikkel Trabjerg Knudsen
State Authorised
Public Accountant
mne34459

Management's review

Company details

Lallemand Denmark A/S
Bredstrupvej 33
DK-8500 Grenaa

Telephone:	+45 87 58 24 00
CVR no.:	26 01 49 80
Established:	1 May 2001
Registered office:	Grenaa
Financial year:	1 February – 31 January

Board of Directors

William John Nankervis, Chairman
Johannes Gerhardus Steenkamp
Lars Overvad Asferg
Antoine Chagnon
Francois Leblanc

Executive Board

Nicolai Francis Jensen

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Bredskifte Allé 13
DK-8210 Aarhus V

Management's review

Financial highlights for the Group

DKK'000	2019/20	2018/19	2017/18	2016/17	2015/16
Key figures					
Revenue	319,639	318,542	284,021	252,238	258,236
Gross profit	118,324	112,772	104,754	102,983	95,922
Operating profit	21,229	18,665	18,798	19,214	15,609
Profit/loss from financial income and expenses	-3,072	-4,913	-4,143	-3,677	-6,166
Profit for the year	14,187	10,736	11,423	12,207	7,817
Total assets	443,266	341,091	318,726	300,806	292,757
Equity	72,984	58,797	48,061	36,638	24,431
Investment in property, plant and equipment	113,408	36,504	37,413	23,459	23,933
Ratios					
Current ratio	70.1%	128.8%	133.4%	147.3%	134.7%
Return on equity	21.5%	20.1%	27.0%	40.0%	36.1%
Solvency ratio	16.5%	17.3%	15.2%	12.2%	9.1%
Other key figures					
Average number of full-time employees	149	139	133	134	127

Financial ratios are calculated in accordance with the guidelines "Recomendations & Ratios" issued by the Danish Society of Financial Analysts. The financial ratios have been calculated as follows:

Current ratio	$\frac{\text{Current assets x 100}}{\text{Current liabilities}}$
Return on equity	$\frac{\text{Profit/loss from ordinary activities after tax x 100}}{\text{Average equity}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$

Management's review

Operating review

The Company's principal activities

The Company is primarily engaged in packaging and distribution as well as in holding of investments in subsidiaries.

Development in activities and financial position

For the year under review, the Company's income statement showed a profit of DKK 640 thousand, and equity stood at DKK 54,451 thousand at 31 January 2020.

For the year under review, the Group's income statement showed a profit of 14,187 thousand, and equity stood at 72,984 thousand at 31 January 2020.

The development in operating profit is considered satisfactory and in line with the expectations communicated in last year's annual report.

To simplify the group structure Lallemand Denmark A/S was merged with the fully-owned subsidiary, Lallemand Human Nutrition A/S, as per 28 May 2019 with Lallemand Denmark A/S as the continuing company. For accounting purposes the merger is to take effect as per 1 February 2019.

Investments

Capital expenditure focuses on products and application areas expected to foster growth in the coming years. Investments in production equipment are expected to remain at a constant level compared to 2019/20.

Outlook

The Group is expected to continuously improve profitability and to focus on its teams, customers and services.

A profit in the range of DKK 15-19 million is expected for 2020/21.

The global COVID-19 pandemic is yet to impact the outlook for the financial year 2020/21. The expected global recession in 2020 and 2021 is likely to have a negative impact on the Company's business areas.

Particular risks

Operating risks

The Group does not foresee any significant operating risks for 2020/21.

Financial risks

Strict account opening procedures and a stringent collection policy continue to be applied to control credit risks during COVID-19 pandemic situation.

The companies have no external debt and are thereby only exposed to a limited number of interest rate risks.

Currency risks are considered minimal since the companies use EUR or DKK as their only settlement currencies.

Management's review

Operating review

Intellectual capital

The companies maneuver on markets dominated by knowledge-driven companies. Management will increasingly focus on securing, maintaining and developing the human, structural and relational capital of the companies.

Environmental matters

The Company focuses on maintaining high environmental standards, adhering to or exceeding national regulations. This includes updating environmental approvals whilst keeping in close contact with local authorities on the local effects of our presence and production.

Corporate social responsibility according to the Danish Financial Statement act section 99a

The Company is primarily engaged in packaging and distribution as well as in holding of investments in subsidiaries.

The ambition of the Company is to show social responsibility in line with its basic values on the areas of environment and climate considerations, social and employee conditions, respect for human rights, and anti-corruption and bribery. Hereto, the Company is determined to ensure a safe and healthy working environment and has consideration for environmental and climate conditions throughout our Company's processes. Our management is key part of all significant decisions on all abovementioned areas, which is demonstrated in internal as well as external initiatives.

For the time being, the Company has not yet developed any formal policies for the above-mentioned areas. We have conducted a thorough risk assessment of our business model and not found any material risks within the areas of environment and climate, social and employee conditions, respect for human rights, anti-corruption and bribery.

Goals and policies for the underrepresented gender according to the Danish Financial Statement act section 99b

It is the company policy that regardless of gender, race, and religion, all employees are treated equally, in order to ensure that everyone has equal opportunities for employment. The Company encourages and supports female employees that desire to advance into managerial positions.

To increase the number of the underrepresented gender in the Board of Directors, the Company has set the target that in 2024 the Boards should have at least one woman. Currently, the Board consists of five persons of which all are males.

To support our target for the Board, we also focus on attracting females to our management positions throughout our organization. Currently we have a representation of women on 19%. To attract and retain women in our organisation, we focus on following initiatives:

- Inclusive environment
- Flexible working hours incl. the possibility of jobsharing, reduced hours etc.
- Maternity (and paternity) programs, ramp-up/down programs
- HR ensuring that both genders are considered in recruitment
- Ensuring a gender neutral language in job postings
- Promote our field of work to a broader audience (e.g. educations institutions, career fairs)
- Conduct internal training and education of staff to reduce turnover and ensure progression of female as well as male employees.

Management's review

Operating review

The Company hopes that we will see the results of these efforts in the coming years.

Research and development activities

The Company's research and development activities are primarily conducted in the subsidiary, Aktieselskabet Dansk Gærings-Industri. These activities focus on newly processed and specialised products.

The research costs are recharged to companies benefiting from the research projects.

Consolidated financial statements and parent company financial statements 1 February – 31 January

Income statement

		Group		Parent Company	
DKK'000	Note	2019/20	2018/19	2019/20	2018/19
Revenue	2	319,639	318,542	38,472	27,883
Change in inventories of finis. goods/ work in progress		13,363	-100	1,648	0
Costs of raw materials and consumables		-154,754	-148,300	-5,878	-637
Other operating income		16	406	0	0
Other external costs		-59,940	-57,776	-7,890	-6,064
Gross profit		118,324	112,772	26,352	21,182
Staff costs	3	-70,854	-70,715	-22,417	-18,687
Depreciation, amortisation and impairment losses		-26,241	-23,392	-976	-858
Operating profit		21,229	18,665	2,959	1,637
Financial income	4	962	0	960	1,012
Financial expenses	5	-4,034	-4,913	-3,130	-4,167
Profit/loss before tax		18,157	13,752	789	-1,518
Tax on profit/loss for the year		-3,970	-3,016	-149	556
Profit/loss for the year	6	14,187	10,736	640	-962

Consolidated financial statements and parent company financial statements 1 February – 31 January

Balance sheet

DKK'000	Note	Group 31/1 2020	Group 31/1 2019	Parent Company 31/1 2020	Parent Company 31/1 2019
ASSETS					
Fixed assets					
Intangible assets	7				
Trademark		8,000	9,000	0	0
Property, plant and equipment	8				
Land and buildings		40,336	26,403	0	0
Property, plant and equipment under construction		17,358	10,252	152	76
Plant and machinery		258,807	191,351	0	0
Fixtures and fittings, tools and equipment		4,022	4,305	3,742	4,000
Leasehold improvements		1,475	1,526	1,475	1,520
		321,998	233,837	5,369	5,596
Investments	9				
Equity investments in group entities		0	0	219,592	244,172
Total fixed assets		329,998	242,837	224,961	249,768
DKK'000					
Inventories					
Raw materials and consumables		35,212	28,531	0	0
Work in progress		6,893	3,770	0	0
Finished goods and goods for resale		34,079	23,839	1,648	0
		76,184	56,140	1,648	0
Receivables					
Trade receivables		12,235	10,519	1,206	52
Receivables from group entities		17,593	22,979	4,996	4,761
Other receivables		2,012	1,476	81	121
Corporation tax		2,722	1,057	2,797	3,435
Prepayments		2,480	1,966	787	738
		37,042	37,997	9,867	9,107
Cash at bank and in hand		42	4,117	27	63
Total current assets		113,268	98,254	11,542	9,170
TOTAL ASSETS		443,266	341,091	236,503	258,938

Consolidated financial statements and parent company financial statements 1 February – 31 January

Balance sheet

		Group		Parent Company	
DKK'000	Note	31/1 2020	31/1 2019	31/1 2020	31/1 2019
EQUITY AND LIABILITIES					
Equity					
Contributed capital	10	2,100	2,100	2,100	2,100
Retained earnings		70,884	56,697	52,351	74,039
Total equity		72,984	58,797	54,451	76,139
Provisions	11				
Provisions for deferred tax		35,219	31,376	525	491
Total provisions		35,219	31,376	525	491
Liabilities other than provisions					
Non-current liabilities other than provisions	12				
Payables to group entities		174,094	174,385	174,094	174,385
Other payables		3,146	0	649	0
		177,240	174,385	174,743	174,385
Current liabilities other than provisions					
Trade payables		25,174	21,177	301	313
Payables to group entities		109,491	27,916	807	2,132
Other payables		23,158	27,440	5,676	5,478
		157,823	76,533	6,784	7,923
Total liabilities other than provisions		335,063	250,918	181,527	182,308
TOTAL EQUITY AND LIABILITIES		443,266	341,091	236,503	258,938

Consolidated financial statements and parent company financial statements 1 February – 31 January

Statement of changes in equity

	Group		
DKK'000	Contributed capital	Retained earnings	Total
Equity at 1 February 2019	2,100	56,697	58,797
Transferred over the profit appropriation	0	14,187	14,187
Equity at 31 January 2020	2,100	70,884	72,984

	Parent Company		
DKK'000	Contributed capital	Retained earnings	Total
Equity at 1 February 2019	2,100	74,039	76,139
Adjustment resulting from merger	0	-22,328	-22,328
Adjusted equity at 1 February 2019	2,100	51,711	53,811
Transferred over the profit appropriation	0	640	640
Equity at 31 January 2020	2,100	52,351	54,451

Consolidated financial statements and parent company financial statements 1 February – 31 January

Cash flow statement

		Group	
DKK'000	Note	2019/20	2018/19
Profit for the year		14,187	10,736
Other adjustments of non-cash operating items		3,970	3,038
Depreciation, amortisation and impairment losses		26,241	23,392
Cash flows from operations before changes in working capital		44,398	37,166
Changes in working capital	16	66,784	-5,805
Cash flows from ordinary activities		111,182	31,361
Corporation tax paid		-2,207	-2,013
Interest expense		0	0
Cash flows from operating activities		108,975	29,348
Acquisition of property, plant and equipment		-113,408	-36,504
Cash flows from investing activities		-113,408	-36,504
Repayment of long-term debt (Group entities)		358	958
Cash flows from financing activities		358	958
Cash flows for the year		-4,075	-6,198
Cash and cash equivalents at the beginning of the year		4,117	10,315
Cash and cash equivalents at year end		42	4,117

Consolidated financial statements and parent company financial statements 1 February – 31 January

Notes

1 Accounting policies

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

The accounting policies used in the preparation of the consolidated financial statements and parent company financial statements are consistent with those of last year.

Consolidated financial statements

The consolidated financial statements comprise the Parent Company, Lallemand Denmark A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in some other way exercises control over.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends and realised and unrealised gains and losses on intra-group transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of subsidiaries' fair value of net assets and liabilities at the date of acquisition.

Business combinations

When new entities are acquired, the purchase method is applied under which identifiable assets and liabilities are measured at fair value at the date of acquisition. Restructuring costs recognised in the acquirer at the acquisition date that are not a part of the acquisition are included in the pre-acquisition balance sheet and thus the determination of goodwill. Restructuring that is adopted after the acquisition is recognised in the income statement. The tax effect of revaluations is recognised as deferred tax.

Positive differences (goodwill) between cost and the fair value of identifiable assets and liabilities acquired, including restructuring provisions, are recognised as intangible assets and amortised systematically in the income statement based on an individual assessment of the useful life. Negative goodwill is recognised as income in the income statement at the acquisition date when the usual conditions for recognition of income are met.

Goodwill and negative goodwill from acquired entities may be adjusted until 12 months after the acquisition date.

Newly acquired or newly established entities are recognised in the consolidated financial statements at the date of acquisition or establishment. Divested or wound-up entities are recognised in the consolidated income statement up to the date of divestment or winding-up. Comparative figures are not restated to reflect acquisitions, divestments or windings-up.

The uniting-of-interests method is applied to business combinations such as the acquisition and disposal of equity investments, mergers, demergers, contribution of assets, share exchanges, etc., between entities controlled by the Parent Company. The uniting of interests is considered to have been completed at the date of the acquisition without restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquired entity is recognised in equity.

Gains or losses on the divestment of subsidiaries and associates are calculated as the difference between the sales amount and the carrying amount of net assets at the date of disposal, including non-amortised goodwill and projected costs of divestment or winding-up.

Consolidated financial statements and parent company financial statements 1 February – 31 January

Notes

1 Accounting policies (continued)

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 rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. 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.

Income statement

Revenue

Revenue includes invoiced sales from repacking and storage of goods primarily for group entities, and income from sale of goods for resale and finished goods, comprising the sale of yeast, is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Cost of sales

Cost of sales comprises costs incurred to generate revenue for the year. This item also comprises direct costs for goods for resale and changes in the inventory of goods for resale.

Other operating income

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

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

Consolidated financial statements and parent company financial statements 1 February – 31 January

Notes

1 Accounting policies (continued)

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, 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.

Dividends from equity investments in group entities measured at cost are recognised as income in the Parent Company's income statement in the financial year when the dividends are declared.

Tax on profit/loss for the year

The Parent Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. The subsidiaries are included in the joint taxation from the date on which they are included in the consolidated financial statements and up to the date on which they are excluded from the consolidation.

The Parent Company is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

On payment of joint taxation contributions, current Danish corporation tax 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 used the losses to reduce their own taxable profit.

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Intangible assets

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life determined on the basis of Management's experience within the individual business areas. The maximum amortisation period is between 5 and 10 years.

Trademarks

Trademarks are measured at cost less accumulated amortisation and impairment losses. Trademarks are amortised on a straight-line basis over the remaining life of the patent, and licences are amortised over the contract period, however, not exceeding 20 years when related to the core business of the group.

Consolidated financial statements and parent company financial statements 1 February – 31 January

Notes

1 Accounting policies (continued)

Gains and losses on the disposal of trademarks are determined as the difference between the sales price less disposal costs 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 costs, respectively.

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

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.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Buildings	10-30 years
Plant and machinery	10-20 years
Fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	5 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Land is not depreciated.

Fixed assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs 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 costs, respectively.

Equity investments in group entities

Equity investments in group entities are measured at cost. Where the recoverable amount is lower than cost, investments are written down to this lower value. Dividends are recognised in the income statement.

Consolidated financial statements and parent company financial statements 1 February – 31 January

Notes

1 Accounting policies (continued)

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Leases

On initial recognition, leases for fixed assets that transfer substantially all risks and rewards incident to ownership to the Company (finance leases) are recognised in the balance sheet at the lower of fair value and the net present value of future lease payments. When calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently treated as the Company's other fixed assets.

The capitalised lease obligation is recognised in the balance sheet as a liability at amortised cost, allowing the interest element of the lease payment to be recognised in the income statement over the term of the lease.

All other leases are operating leases. Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed as contractual obligations and contingencies, etc.

Inventories

Inventories are measured at cost in accordance with the average 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.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance of depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

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.

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1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received.

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Equity

Dividends

The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; 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. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Liabilities other than provisions

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost.

Other liabilities are measured at net realisable value.

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1 Accounting policies (continued)

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.

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

Cash flows from financing activities comprise changes in size or composition of the Company's share capital and costs in this respect as well as raising of loans, instalments on interest-bearing debt and distribution of dividends to owners.

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 easily convertible into cash and which are subject to only an insignificant risk of changes in value.

Segment information

Segment information is provided on business segments and geographical markets. The segment information is in line with the Group's accounting policies, risks and internal financial management.

2 Segment information

	Group	
DKK'000	2019/20	2018/19
Revenue, Scandinavia	109,054	103,194
Revenue, rest of Europe	210,585	215,348
	319,639	318,542

The only business segment is yeast.

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		Group		Parent Company	
	DKK'000	2019/20	2018/19	2019/20	2018/19
3	**Staff costs**				
	Wages and salaries	62,788	62,704	19,765	16,584
	Pensions	5,340	5,325	1,592	1,316
	Other social security costs	777	724	378	300
	Other staff costs	1,949	1,962	682	487
		70,854	70,715	22,417	18,687
	Average number of full-time employees	149	139	46	39

Remuneration of the Executive Board of Lallemand Denmark A/S is not disclosed separately referring to section 98b (3) of the Danish Financial Statements Act. No remuneration was paid to the Board of Directors.

		Group 2019/20	Group 2018/19	Parent 2019/20	Parent 2018/19
4	**Financial income**				
	Interest income from group entities	0	0	0	2
	Dividends from equity investments	0	0	0	1,000
	Other financial income	962	0	960	10
		962	0	960	1,012
5	**Financial expenses**				
	Interest expense to group entities	2,964	3,461	2,418	3,192
	Other financial costs	1,070	1,452	712	975
		4,034	4,913	3,130	4,167
6	**Proposed profit appropriation/distribution of loss**				
	Retained earnings	14,187	10,736	640	-962

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7 Intangible assets

	Group		
DKK'000	Trademark	Goodwill	Total
Cost at 1 February 2019	20,000	48,502	68,502
Cost at 31 January 2020	20,000	48,502	68,502
Amortisation and impairment losses at 1 February 2019	-11,000	-48,502	-59,502
Amortisation for the year	-1,000	0	-1,000
Amortisation and impairment losses at 31 January 2020	-12,000	-48,502	-60,502
Carrying amount at 31 January 2020	8,000	0	8,000

8 Property, plant and equipment

	Group					
DKK'000	Land and buildings	Property, plant and equipment under construction	Plant and machinery	Fixtures and fittings, tools and equipment	Leasehold improve-ments	Total
Cost at 1 February 2019	68,599	10,252	390,350	18,162	2,680	490,043
Additions for the year	16,065	7,106	89,564	398	275	113,408
Disposals for the year	0	0	-675	-478	-169	-1,322
Transfers for the year	0	0	0	0	0	0
Cost at 31 January 2020	84,664	17,358	479,239	18,082	2,786	602,129
Depreciation and impairment losses at 1 February 2019	-42,196	0	-198,999	-13,857	-1,154	-256,206
Depreciation for the year	-2,132	0	-22,108	-681	-320	-25,241
Reversed depreciation and impairment losses on assets sold	0	0	675	478	163	1,316
Depreciation and impairment losses at 31 January 2020	-44,328	0	-220,432	-14,060	-1,311	-280,131
Carrying amount at 31 January 2020	40,336	17,358	258,807	4,022	1,475	321,998

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DKK'000	Fixtures and fittings, tools and equipment	Leasehold improve-ments	Property, plant and equipment under construction	Total
	Parent Company			
Cost at 1 February 2019	13,166	2,507	76	15,749
Additions for the year	398	275	76	749
Cost at 31 January 2020	13,564	2,782	152	16,498
Depreciation and impairment losses at 1 February 2019	-9,166	-987	0	-10,153
Depreciation for the year	-656	-320	0	-976
Depreciation and impairment losses at 31 January 2020	-9,822	-1,307	0	-11,129
Carrying amount at 31 January 2020	3,742	1,475	152	5,369

9 Investments

DKK'000	Parent Company 2019/20	2018/19
Cost at 1 February	244,172	244,172
Disposals for the year (merger)	-24,580	0
Cost at 31 January	219,592	244,172
Carrying amount at 31 January	219,592	244,172

Name/legal form	Registered office	Voting rights and ownership interest	Equity	Profit for the year
Subsidiaries:			DKK'000	DKK'000
De Danske Gærfabrikker A/S	Grenaa, Denmark	100%	193,156	18,321
			193,156	18,321

10 Equity

The contributed capital consists of 2,100 shares of a nominal value of DKK 1,000 each.

All shares rank equally.

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11 Provisions

	Group		Parent Company	
DKK'000	31/1 2020	31/1 2019	31/1 2020	31/1 2019
Deferred tax at 1 February	31,376	30,539	491	412
Deferred tax adjustment for the year in the income statement	3,843	837	34	79
	35,219	31,376	525	491

12 Non-current liabilities other than provisions

	Group	Parent Company
DKK'000	31/1 2020	31/1 2020
Payables to group entities		
< 1 year	109,491	807
1 - 5 years	0	0
> 5 years	174,094	174,094
	283,585	174,901
Other payables		
< 1 year	23,158	5,676
1 - 5 years	3,146	649
> 5 years	0	0
	26,304	6,325

13 Fees to auditor appointed at the general meeting

	Group	
DKK'000	2019/20	2018/19
Statutory audit	296	295
Tax assistance	64	64
Other assurance engagements	14	0
Non-audit services	12	7
	386	366

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14 Contractual obligations, contingencies, etc.

Contingent liabilities

The Group's Danish entities are jointly and severally liable for tax on the Group's jointly taxed income and for certain withholding taxes such as dividend tax. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may entail an increase in the entities' liability. The Group as a whole is not liable to any other parties.

Operating lease obligations

The Group has entered into lease agreements regarding premises, operating equipment and a service agreement. The total liability makes up DKK 7,189 thousand, of which DKK 3,013 thousand falls due for payment within one year. The residual part of the liability falls due for payment within five years.

The Parent Company has entered into lease agreements for premises and operating equipment. The total liability makes up DKK 5,116 thousand, of which DKK 2,121 thousand falls due for payment within one year. The residual part of the liability falls due for payment within five years.

15 Related party disclosures

Lallemand Denmark A/S' related parties comprise the following:

Control

The Company's Parent Company and ultimate parent company exercise control.

The Company's related parties with significant influence comprise the Company's Board of Directors, Executive Board and executive staff. In addition, related parties comprise group entities in the Lallemand Group.

Lallemand BIO S.L., Calle - c/ Tomas Edison 4 Bl.2 2º - oficina 2.226, Rivas Vacia-Madrid 28521, Madrid, Spain, is the principal shareholder.

The Company's ultimate parent company is Lallemand Inc, 151 Skyway Ave., Toronto, Canada M9M 4Z5.

The consolidated financial statements of Lallemand Inc. can be obtained by contacting the company at the address above.

Related party transactions

	Group	Parent Company
DKK'000	2019/20	2019/20
Sales to related parties	235,947	32,803
Purchase from related parties	34,166	2,153

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16 Change in working capital

	Group	
DKK'000	2019/20	2018/19
Change in inventories	-20,046	-5,554
Change in receivables	2,609	-10,085
Change in trade and other payables	84,221	9,834
	66,784	-5,805