

Graff Breeding A/S

Viborgvej 717, 8471 Sabro

Company reg. no. 29 20 85 65

Annual report

1 October 2019 - 30 September 2020

The annual report was submitted and approved by the general meeting on the 25 November 2020.

Ole Elmegaard Mortensen

Chairman of the meeting

Notes:

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

Contents

	<u>Page</u>
Reports	
Management's report	1
Independent auditor's report	2
Management commentary	
Company information	5
Management commentary	6
Financial statements 1 October 2019 - 30 September 2020	
Income statement	7
Statement of financial position	8
Statement of changes in equity	10
Notes	11
Accounting policies	13

Management's report

Today, the board of directors and the managing director have presented the annual report of Graff Breeding A/S for the financial year 1 October 2019 - 30 September 2020.

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

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

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

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

Sabro, 25 November 2020

Managing Director

Poul Graff

Board of directors

Ole Elmegaard Mortensen

Frank Richard Benders

Søren Offer Viskum Madsen

Gert Graff

Independent auditor's report

To the shareholder of Graff Breeding A/S

Opinion

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

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

Basis for opinion

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's preparation of the financial statements using the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists arising from events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and contents of the financial statements, including disclosures in notes, and whether the financial statements reflect the underlying transactions and events in a manner that presents a fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

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

Independent auditor's report

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

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

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

Aarhus, 25 November 2020

Redmark

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

Morten Ryberg Nielsen

State Authorised Public Accountant
mne33221

Company information

The company

Graff Breeding A/S
Viborgvej 717
8471 Sabro

Phone 87 45 33 30

Fax 86 24 24 80

Company reg. no. 29 20 85 65

Established: 7 December 2005

Domicile:

Financial year: 1 October - 30 September

Board of directors

Ole Elmegaard Mortensen
Frank Richard Benders
Søren Offer Viskum Madsen
Gert Graff

Managing Director

Poul Graff

Auditors

Redmark
Statsautoriseret Revisionspartnerselskab
Sommervej 31C
8210 Aarhus V

Bankers

Nordea Danmark

Management commentary

The principal activities of the company

The company's main activity consists in the research, development and breeding of flowers and plants.

Development in activities and financial matters

Net Gross profit for the year amounts to DKK 4.292.941 against DKK 3.278.435 last year. The ordinary result after tax amounts to DKK 647.667 against DKK 537.921 last year. Both results and operations has followed the chosen R&D and innovation plans, why the management considers the result for 2019/2020 to be satisfactory.

Expected developments

The company continues to view the earnings and liquidity development positively.

Events occurring after the end of the financial year

There have been no events after the end of the financial year that could upset the company financial position significantly.

Income statement 1 October - 30 September

All amounts in DKK.

<u>Note</u>	<u>2019/20</u>	<u>2018/19</u>
Gross profit	4.292.941	3.278.435
1 Staff costs	-3.316.606	-2.638.833
Depreciation and impairment of property, land, and equipment	-83.320	-65.809
Operating profit	893.015	573.793
Income from equity investment in associate	0	-34.348
Other financial income	4.180	167.008
2 Other financial costs	-83.833	-1.796
Pre-tax net profit or loss	813.362	704.657
Tax on net profit or loss for the year	-165.695	-166.736
Net profit or loss for the year	647.667	537.921
Proposed appropriation of net profit:		
Reserves for net revaluation according to the equity method	0	-129.348
Dividend for the financial year	500.000	500.000
Transferred to retained earnings	147.667	167.269
Total allocations and transfers	647.667	537.921

Statement of financial position at 30 September

All amounts in DKK.

Assets			
<u>Note</u>		<u>2020</u>	<u>2019</u>
Non-current assets			
3	Other fixtures and fittings, tools and equipment	254.518	337.838
	Total property, plant, and equipment	254.518	337.838
	Total non-current assets	254.518	337.838
Current assets			
	Trade receivables	637.094	867.492
	Deferred tax assets	10.318	3.597
	Income tax receivables	9.416	156.180
	Total receivables	656.828	1.027.269
	Cash on hand and demand deposits	3.200.464	2.307.027
	Total current assets	3.857.292	3.334.296
	Total assets	4.111.810	3.672.134

Statement of financial position at 30 September

All amounts in DKK.

Equity and liabilities			
<u>Note</u>		<u>2020</u>	<u>2019</u>
Equity			
	Contributed capital	500.000	500.000
	Retained earnings	2.074.391	1.926.724
	Proposed dividend for the financial year	500.000	500.000
	Total equity	3.074.391	2.926.724
Liabilities other than provisions			
	Income tax payable	145.099	0
	Other payables	109.213	0
4	Total long term liabilities other than provisions	254.312	0
	Trade payables	293.805	299.390
	Other payables	489.302	446.020
	Total short term liabilities other than provisions	783.107	745.410
	Total liabilities other than provisions	1.037.419	745.410
	Total equity and liabilities	4.111.810	3.672.134
5	Charges and security		
6	Contingencies		

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Reserve for net revaluation according to the equity method	Retained earnings	Proposed dividend for the financial year	Total
Equity 1 October 2018	500.000	129.348	1.759.455	250.000	2.638.803
Distributed dividend	0	0	0	-250.000	-250.000
Share of profit or loss	0	-129.348	167.269	500.000	537.921
Equity 1 October 2019	500.000	0	1.926.724	500.000	2.926.724
Distributed dividend	0	0	0	-500.000	-500.000
Share of profit or loss	0	0	147.667	500.000	647.667
	500.000	0	2.074.391	500.000	3.074.391

Notes

All amounts in DKK.

	2019/20	2018/19		
1. Staff costs				
Salaries and wages	2.689.394	2.073.457		
Pension costs	568.341	511.921		
Other costs for social security	58.871	53.455		
	3.316.606	2.638.833		
Average number of employees	8	7		
2. Other financial costs				
Financial costs, group enterprises	0	1.796		
Other financial costs	83.833	0		
	83.833	1.796		
3. Other fixtures and fittings, tools and equipment				
Cost 1 October 2019	495.459	122.994		
Additions during the year	0	372.465		
Cost 30 September 2020	495.459	495.459		
Depreciation and writedown 1 October 2019	-157.621	-91.812		
Amortisation and depreciation for the year	-83.320	-65.809		
Depreciation and writedown 30 September 2020	-240.941	-157.621		
Carrying amount, 30 September 2020	254.518	337.838		
4. Liabilities other than provision				
	Total payables 30 Sep 2020	Current portion of long term payables	Long term payables 30 Sep 2020	Outstanding payables after 5 years
Income tax payable	145.099	0	145.099	0
Other payables	109.213	0	109.213	0
	254.312	0	254.312	0

Notes

All amounts in DKK.

5. Charges and security

The company have no charges and security at 30 September 2020.

6. Contingencies

Contingent liabilities

	DKK in thousands
Total contingent liabilities	<u>738.000</u>

Accounting policies

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

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

Recognition and measurement in general

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

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

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

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

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

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

Foreign currency translation

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

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

Accounting policies

Income statement

Gross profit

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

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

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

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

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

Staff costs

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

Depreciation, amortisation, and writedown for impairment

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

Financial income and expenses

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

Results from equity investment in associate

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

Tax on net profit or loss for the year

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

Accounting policies

Statement of financial position

Property, plant, and equipment

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

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

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

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

	Useful life	Residual value
Other fixtures and fittings, tools and equipment	3-5 years	0-20 %

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

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

Receivables

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

Cash on hand and demand deposits

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

Equity

Dividend

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

Accounting policies

Income tax and deferred tax

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

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

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

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

Liabilities other than provisions

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