# Aller Aqua A/S

Allervej 130, DK-6070 Christiansfeld

# Annual Report for 1. januar - 31. december 2018

CVR No 30 71 17 26

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 21/5 2019

Hans Erik Bylling Chairman of the General Meeting



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# **Management's Statement**

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Aller Aqua A/S for the financial year 1 January - 31 December 2018.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Company and of the results of the Company operations and cash flows for 2018.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Aller, 21 May 2019

#### **Executive Board**

Hans Erik Bylling CEO Carsten Jørgensen

**Board of Directors** 

Anders Carøe Bylling

Henrik Thygesen Halken

Ivan Bundgård Sørensen

Carsten Jørgensen

Hans Erik Bylling



# **Independent Auditor's Report**

To the Shareholder of Aller Aqua A/S

#### **Opinion**

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Aller Aqua A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("the Financial Statements").

#### **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 Financial Statements" section of our report. We are independent of the Company 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, 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 in Management's Review.

# Management's responsibilities for the Financial Statements

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



# **Independent Auditor's Report**

ment, 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 in preparing the Financial Statements 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 that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures
  that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 the disclosures, and whether the Financial Statements represent the underlying transactions and events



# **Independent Auditor's Report**

in a manner that gives a true and fair view.

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

Trekantområdet, 21 May 2019 **PricewaterhouseCoopers** Statsautoriseret Revisionspartnerselskab *CVR No 33 77 12 31* 

Jan Bunk Harbo Larsen State Authorized Public Accountant mne30224 Henrik Forthoft Lind State Authorized Public Accountant mne34169



# **Company Information**

**The Company** Aller Aqua A/S

Allervej 130

DK-6070 Christiansfeld

Telephone: + 45 70 22 19 10

CVR No: 30 71 17 26

Financial period: 1 January - 31 December

Municipality of reg. office: Kolding

**Board of Directors** Anders Carøe Bylling

Henrik Thygesen Halken Ivan Bundgård Sørensen

Carsten Jørgensen Hans Erik Bylling

**Executive Board** Hans Erik Bylling

Carsten Jørgensen

Auditors PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

Herredsvej 32 DK-7100 Vejle



# **Financial Highlights**

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2018	2017	2016	2015	2014
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	630.824	601.628	521.665	554.073	470.573
Profit/loss before financial income and					
expenses	-14.881	-12.454	17.649	16.437	18.208
Net financials	12.064	12.179	6.872	3.331	-1.308
Net profit/loss for the year	72	2.869	17.350	15.267	12.715
Balance sheet					
Balance sheet total	382.789	374.664	277.508	231.501	180.346
Equity	54.232	54.160	67.292	61.941	58.674
Cash flows					
Cash flows from:					
- operating activities	-13.233	-66.265	-10.772	26.371	2.516
- investing activities	6.798	-45.520	-729	-1.302	-1.883
including investment in property, plant and					
equipment	-3.692	-4.417	-760	-1.916	-2.390
Number of employees	52	48	44	39	40
Ratios					
Gross margin	3,7%	3,4%	-9,0%	10,9%	9,7%
Profit margin	-2,4%	-2,1%	3,4%	3,0%	3,9%
Return on assets	-3,9%	-3,3%	6,4%	7,1%	10,1%
Solvency ratio	14,2%	14,5%	24,2%	26,8%	32,5%
Return on equity	0,1%	4,7%	26,9%	25,3%	43,3%

For definitions, see under accounting policies.



# **Management's Review**

### **Key activities**

The company's activities primarily include manufacturing, production and sale of fish feed as well as trading with raw materials related to production.

# Development in the year

The income statement of the Company for 2018 shows a profit of TDKK 72, and at 31 December 2018 the balance sheet of the Company shows equity of TDKK 54,232.

In 2018 Aller Aqua A/S focused on the increase of its sales and efficiency, and in this context a number of organizational changes and initiatives were launched, incl. new recruitments. The new colleagues will support and contribute to the continued development of the company.

### The past year and follow-up on development expectations from last year

In 2018 the company realized a result of TDKK 72 against TDKK 2.869 in 2017. The 2018 result does not live up to expectations.

### Special risks - operating risks and financial risks

### Operating risks

The companys most significant operating risk is attached to the ability to be strongly positioned in the markets where the products are sold and to ensure that production prices are always competitive.

# Foreign exchange risks

The existing price and currency risk are within the standard for the business. The company is continuously entering into contracts and forward foreign exchange contracts to cover the risks.

# Targets and expectations for the year ahead

Profit expectations for the coming years are positive and the expectations is minimum a result as in 2017.

## Research and development

Research is ongoing to develop and improve the products of the company.

# **External environment**

The company is continuously working on securing a safe and healthy work environment in a way where environmental and climate conditions are included in the processes.



# **Management's Review**

# Statement on corporate social responsibility in accordance with Danish financial statement act section 99 a

For our statement on corporate social responsibility, we refer to our parent company, Aller Aqua Group A/S, annual report for 2018.

# Statement on underrepresented gender in accordance with the Danish financial statement act section 99 b

# Target for the Board of Directors

Among the five members of our Board of Directors all are males. Thereby, Aller Aqua A/S did not reach their goal to have one woman on the Board by 2018. The goal was not met as the general assembly did not find any need for replacement of the board member. The company have chosen to set a new target, of one women on the Board by 2023.

# Policy for other management levels

It is the company's policy to increase the number of women in our management team, but under the primary condition always to hire the most competent candidate for the job.

In 2018 we have continued to ensure that both genders are offered the same opportunities to further educate themselves as well as we have continued to nudge female talent within our organization to seek out career opportunities when relevant. When using external recruiters we require receiving a shortlist with both male and female candidates, and we generally strive for more women to enter into management. However, in 2018 too few management positions were vacant to show significant change in the overall gender split in our management team. We will continue our efforts in the years to come.



# **Income Statement 1 January - 31 December**

	Note	2018	2017
		TDKK	TDKK
Revenue		630.824	601.628
Change in inventories of finished goods, work in progress and goods for			
resale		10.179	-14.399
Other operating income		14.576	5.346
Expenses for raw materials and consumables		-558.787	-511.204
Other external expenses	_	-73.298	-60.662
Gross profit/loss		23.494	20.709
Staff expenses	1	-35.416	-30.875
Depreciation, amortisation and impairment of intangible assets and			
property, plant and equipment	2	-2.762	-2.288
Other operating expenses	_	-197	0
Profit/loss before financial income and expenses	3	-14.881	-12.454
Income from investments in subsidiaries		-501	-22
Income from investments in associates		11.975	14.323
Financial income	4	7.845	3.721
Financial expenses	5	-7.255	-5.843
Profit/loss before tax		-2.817	-275
Tax on profit/loss for the year	6	2.889	3.144
Net profit/loss for the year	_	72	2.869



# **Balance Sheet 31 December**

# Assets

	Note	2018	2017
		TDKK	TDKK
Acquired other similar rights	_	229	0
Intangible assets	7 -	229	0
Land and buildings		0	983
Plant and machinery		8.106	6.991
Other fixtures and fittings, tools and equipment		3.098	2.359
Property, plant and equipment in progress	<u>-</u>	0	1.101
Property, plant and equipment	8 -	11.204	11.434
Investments in subsidiaries	9	0	0
Investments in associates	10	58.112	56.194
Other investments	11	439	139
Fixed asset investments	-	58.551	56.333
Fixed assets	-	69.984	67.767
Raw materials and consumables		24.019	49.492
Finished goods and goods for resale	_	34.184	24.006
Inventories	_	58.203	73.498
Trade receivables		96.682	107.207
Receivables from group enterprises		139.670	116.550
Receivables from associates		900	350
Other receivables		5.907	3.506
Deferred tax asset	13	5.667	2.553
Corporation tax		3.319	342
Prepayments	14	227	237
Receivables	-	252.372	230.745
Cash at bank and in hand	-	2.230	2.654
Currents assets	-	312.805	306.897
Assets	-	382.789	374.664



# **Balance Sheet 31 December**

# Liabilities and equity

	Note	2018	2017
		TDKK	TDKK
Share capital		10.000	10.000
Reserve for net revaluation under the equity method		14.301	14.301
Retained earnings	-	29.931	29.859
Equity	-	54.232	54.160
Provisions relating to investments in group enterprises	-	501	0
Provisions	-	501	0
Credit institutions		83.562	60.074
Trade payables		45.325	65.691
Payables to group enterprises		196.039	157.482
Payables to associates		0	32.364
Other payables	-	3.130	4.893
Short-term debt	-	328.056	320.504
Debt	-	328.056	320.504
Liabilities and equity	-	382.789	374.664
Distribution of profit	15		
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# **Statement of Changes in Equity**

Reserve for net revaluation under the equity Retained Share capital method earnings Total TDKK TDKK TDKK TDKK Equity at 1 January 10.000 14.301 29.859 54.160 Net profit/loss for the year 72 72 10.000 14.301 **Equity at 31 December** 29.931 54.232



# **Cash Flow Statement 1 January - 31 December**

	Note	2018	2017
		TDKK	TDKK
Net profit/loss for the year		72	2.869
Adjustments	16	-11.994	-13.587
Change in working capital	17	1.300	-47.362
Cash flows from operating activities before financial income and			
expenses		-10.622	-58.080
Financial income		7.846	3.720
Financial expenses	_	-7.256	-5.843
Cash flows from ordinary activities		-10.032	-60.203
Corporation tax paid	_	-3.201	-6.062
Cash flows from operating activities	_	-13.233	-66.265
Purchase of intangible assets		-250	0
Purchase of property, plant and equipment		-3.692	-4.417
Køb af finansielle anlægsaktiver mv.		-301	-41.468
Sale of property, plant and equipment		984	365
Dividends received from associates	_	10.057	0
Cash flows from investing activities	_	6.798	-45.520
Raising of loans from credit institutions		23.489	9.239
Change of loans from group entreprises		-17.478	117.246
Dividend paid	_	0	-16.000
Cash flows from financing activities	_	6.011	110.485
Change in cash and cash equivalents		-424	-1.300
Cash and cash equivalents at 1 January	_	2.654	3.954
Cash and cash equivalents at 31 December	_	2.230	2.654
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand	_	2.230	2.654
Cash and cash equivalents at 31 December	_	2.230	2.654



		2018	2017
	Chaff arm and an	TDKK	TDKK
1	Staff expenses		
	Wages and salaries	31.736	27.921
	Pensions	1.987	1.892
	Other social security expenses	454	204
	Other staff expenses	1.239	858
		35.416	30.875
	Including remuneration to the Executive Board and Board of Directors of:		
	Executive Board	1.426	1.475
	Supervisory Board	378	315
		1.804	1.790
	Average number of employees	52	48
2	Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
	Amortisation of intangible assets	21	0
	Depreciation of property, plant and equipment	2.741	2.288
		2.762	2.288
3	Special items		
	Write-downs of current assets, that exceed normal write-downs	13.047	0
		13.047	0



		2018	2017
	Financial income	TDKK	TDKK
4	rmanciai income		
	Interest received from group enterprises	23	26
	Other financial income	7.822	3.695
		7.845	3.721
5	Financial expenses		
	Interest paid to group enterprises	2.058	1.785
	Other financial expenses	5.197	4.058
		7.255	5.843
6	Tax on profit/loss for the year		
	Current tax for the year	225	143
	Deferred tax for the year	-3.114	-3.287
		-2.889	-3.144
7	Intangible assets		
			Acquired other
			similar rights TDKK
	Cost at 1 January		0
	Additions for the year		250
	Cost at 31 December		250
	Impairment losses and amortisation at 1 January		0
	Amortisation for the year		21
	Impairment losses and amortisation at 31 December		21
	Carrying amount at 31 December		229



# 8 Property, plant and equipment

			Other fixtures	
			and fittings,	Property, plant
	Land and	Plant and	tools and	and equipment
	buildings	machinery	equipment	in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	983	25.931	5.916	1.101
Additions for the year	0	3.030	1.763	0
Disposals for the year	-983	0	-1.005	-1.101
Cost at 31 December	0	28.961	6.674	0
Impairment losses and depreciation at				
1 January	0	18.940	3.557	0
Depreciation for the year	0	1.915	826	0
Reversal of impairment and				
depreciation of sold assets	0	0	-807	0
Impairment losses and depreciation at				
31 December	0	20.855	3.576	0
Carrying amount at 31 December	0	8.106	3.098	0



Investments in subsidiaries	-	2018 TDKK	2017 TDKK
Cost at 1 January	_	22	22
Cost at 31 December	-	22	22
Value adjustments at 1 January		-22	0
Net profit/loss for the year	_	-501	-22
Value adjustments at 31 December	-	-523	-22
Equity investments with negative net asset value tran	sferred to provisions	501	0
Carrying amount at 31 December	-	0	0
Investments in subsidiaries are specified as follows:			
Name	Place of registered office	Share capital	Votes and ownership
Aller Aqua Nigeria Limited	Lagos, Nigeria	tNGA 9.019	10%
Aller Aqua Balkan d.o.o	Juzno-Backi, Serbia	tEUR 0	100%



			2018	2017
ιo	Investments in associates		TDKK	TDKK
	Cost at 1 January		41.946	500
	Additions for the year		0	41.446
	Cost at 31 December		41.946	41.946
	Value adjustments at 1 January		14.248	-75
	Net profit/loss for the year		11.975	14.622
	Dividends received		-10.057	0
	Amortisation of goodwill		0	-299
	Value adjustments at 31 December		16.166	14.248
	Carrying amount at 31 December		58.112	56.194
	Investments in associates are specified as follows:	Place of registered office	Share capital	Votes and ownership
	Name	office		ownership
			Share capital tDKK 509 tEUR 363	ownership
1	Name Binderup Mølle Damburg A/S	office Aalborg, Danmark	tDKK 509	ownership
1	Name  Binderup Mølle Damburg A/S  Emsland Aller Aqua GmbH	office Aalborg, Danmark	tDKK 509	ownership  30% 45%  Other investments
1	Name  Binderup Mølle Damburg A/S  Emsland Aller Aqua GmbH	office Aalborg, Danmark	tDKK 509	ownership 30% 45% Other
1	Name  Binderup Mølle Damburg A/S Emsland Aller Aqua GmbH  Other fixed asset investments	office Aalborg, Danmark	tDKK 509	Other investments
1	Name  Binderup Mølle Damburg A/S  Emsland Aller Aqua GmbH	office Aalborg, Danmark	tDKK 509	Other investments  TDKK
1	Name  Binderup Mølle Damburg A/S Emsland Aller Aqua GmbH  Other fixed asset investments  Cost at 1 January	office Aalborg, Danmark	tDKK 509	ownership  30% 45%  Other investments



### 12 Derivative financial instruments

The company has entered into exchange contracts of 212 mDKK and forward foreign exchange contracts of 49 mDKK primarily to cover future payments.

2018 2017 TDKK TDKK

# 13 Deferred tax asset

Provision for deferred tax relates to difference between the carrying amount andt the tax value of tangible fixed assets, prepayments, inventories and tax loss carried forward.

Deferred tax asset at 31 December	5.667	2.553
Amounts recognised in the income statement for the year	3.114	3.287
Deferred tax asset at 1 January	2.553	-734

The deferred tax asset is recognised as it is expected that the company can utilise the tax loss within a few years. The prepared budgets, including the expectations for the future show, that the tax loss is expected to be utilised within a period of 3-5 years.

### 14 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

# 15 Distribution of profit

Transfer for the year to other reserves	0	14.301
Retained earnings	72	-11.432
_	72	2.869



		2018	2017
16	Cash flow statement - adjustments	TDKK	TDKK
	Financial income	-7.845	-3.721
	Financial expenses	7.255	5.843
	Depreciation, amortisation and impairment losses, including losses and		
	gains on sales	2.959	2.221
	Income from investments in subsidiaries	501	22
	Income from investments in associates	-11.975	-14.323
	Tax on profit/loss for the year	-2.889	-3.144
	Other adjustments	0	-485
		-11.994	-13.587
17	Cash flow statement - change in working capital		
	Change in inventories	15.295	-10.660
	Change in receivables	8.134	-27.302
	Change in trade payables, etc	-22.129	-9.400
		1.300	-47.362



2018 2017 TDKK TDKK

## 18 Contingent assets, liabilities and other financial obligations

#### Charges and security

The following assets have been placed as security with bankers:

A floating charge of DKK 100.000t has been provided for debts to banks with intangible rights, machinery, inventories and receivables with a booked value of

173.159

196.679

The company has issued a guarantee of payment for an associated enterprise's balance with banks.

#### Rental and lease obligations

Lease obligations, period of non-terminability until the 1 January 2030

26.928

29.376

The company has also entered into operational lease contracts in a limited scale. The lease contracts amounts to DKK 559t.

# Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Hans Erik Bylling Holding ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

The company has signed contracts for future deliveries (purchase/sales) in a scale which is within the regular limits of the trade.



# 19 Related parties

Basis

### **Controlling interest**

Hans Erik Bylling CEO and ultimative owner

Hans Erik Bylling Holding ApS Parent company

#### Other related parties

The company's related parties having a significant influence comprise subsidiaries and associates as well as thecompanies' Board of Directors, Board of Executives and executive officers and their relatives. Related parties include also companies in which the above mentioned group of persons has material interests.

### **Transactions**

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

# **Consolidated Financial Statements**

The company is included in the consolidated report for the parent companies

Name Place of registered office

Hans Erik Bylling Holding ApS Kolding

Aller Aqua Group A/S Kolding

# 20 Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.



# 21 Accounting Policies

The Annual Report of Aller Aqua A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2018 are presented in TDKK.

#### **Consolidated financial statements**

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Aller Aqua Group A/S, the Company has not prepared consolidated financial statements.

# **Recognition and measurement**

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

#### Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in



## 21 Accounting Policies (continued)

the income statement on a straight-line basis over the lease term.

### **Translation policies**

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

#### **Derivative financial instruments**

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

#### Revenue

Net revenue has not been split into activities and geographic markets due to competitive considerations, since there are only a few operators in the market.

# **Income Statement**

#### Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.



# 21 Accounting Policies (continued)

# Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

### Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

# Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

# Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

# Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

#### Income from investments in subsidiaries and associates

The items "Income from investments in subsidiaries" and "Income from investments in associates" in the income statement include the proportionate share of the profit for the year.

### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

# Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.



# 21 Accounting Policies (continued)

# **Balance Sheet**

# **Intangible assets**

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 5 years.

# Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

vears

Plant and machinery 8 years
Other fixtures and fittings, tools and equipment 5-8

Depreciation period and residual value are reassessed annually.

### Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

### Investments in subsidiaries and associates

Investments in subsidiaries and associates are recognised and measured under the equity method.

The items "Investments in subsidiaries" and "Investments in associates" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries and associates is transferred upon distribution of



## 21 Accounting Policies (continued)

profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries and the associates.

Subsidiaries and associates with a negative net asset value are recognised at DKK o. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

#### **Fixed asset investments**

Fixed asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

#### **Inventories**

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

#### Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

# **Prepayments**

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.



## 21 Accounting Policies (continued)

# **Equity**

#### Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

#### Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

#### **Financial debts**

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.



21 Accounting Policies (continued)

# **Cash Flow Statement**

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company'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 net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

# Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

# Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

# Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

# **Financial Highlights**

# **Explanation of financial ratios**

Gross margin	Gross profit x 100
	Revenue
Profit margin	Profit before financials x 100
	Revenue
Return on assets	Profit before financials x 100
	Total assets



# 21 Accounting Policies (continued)

Solvency ratio Equity at year end x 100

Total assets at year end

Return on equity Net profit for the year x 100

Average equity

