ALLER AQUA A/S

Allervej 130, DK-6070 Christiansfeld

Annual Report for 2022

CVR No. 30 71 17 26

The Annual Report was presented and adopted at the Annual General Meeting of the company on 16/5 2023

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 Financial Statements of ALLER AQUA A/S for the financial year 1 January - 31 December 2022.

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 2022 of the Company and of the results of the Company operations and cash flows for 2022.

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

We recommend that the Financial Statements be adopted at the Annual General Meeting.

Christiansfeld, 16 May 2023

Executive Board

Hans Erik Bylling CEO	Carsten Jørgensen

Board of Directors

Anders Carøe Bylling	Henrik Thygesen Halken	Rolf Manfred Ebbesen
Carsten Jørgensen	Hans Erik Bylling	

Independent Auditor's report

To the shareholders 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 2022 and of the results of the Company´s operations and cash flows for the financial year 1 January - 31 December 2022 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 2022, 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’ International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 Financial 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 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 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.

Independent Auditor's report

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 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, 16 May 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Henrik Forthoft Lind	Henrik Junker Andersen
State Authorised Public Accountant	State Authorised Public Accountant
mne34169	mne42818

Company information

The Company	ALLER AQUA A/S Allervej 130 DK-6070 Christiansfeld 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 Rolf Manfred Ebbesen Carsten Jørgensen Hans Erik Bylling
Executive Board	Hans Erik Bylling Carsten Jørgensen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Herredsvej 32 7100 Vejle

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2022	2021	2020	2019	2018
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	845,906	660,564	540,203	444,386	630,824
Profit/loss before financial income and expenses	-10,019	-21,945	-6,159	-17,054	-14,881
Profit/loss of financial income and expenses	-1,327	1,147	919	18,659	12,064
Net profit/loss	-10,726	-16,314	-2,719	3,355	72
Balance sheet					
Balance sheet total	438,513	403,843	391,021	384,527	388,456
Investment in property, plant and equipment	7,884	5,264	2,235	1,078	3,692
Equity	52,828	38,554	54,868	57,587	54,232
Cash flows					
Cash flows from:					
- operating activities	-1,563	-15,817	26,428	11,631	-13,233
- investing activities	-9,185	-5,027	3,848	11,554	6,798
Number of employees	57	55	50	52	52
Ratios					
Gross margin	3.9%	2.8%	6.0%	4.9%	3.7%
Profit margin	-1.2%	-3.3%	-1.1%	-3.8%	-2.4%
Return on assets	-2.3%	-5.4%	-1.6%	-4.4%	-3.8%
Solvency ratio	12.0%	9.5%	14.0%	15.0%	14.0%
Return on equity	-23.5%	-34.9%	-4.8%	6.0%	0.3%

For definitions, see under accounting policies.

Management's review

Key activities

The company's activities primarily include development, 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 2022 shows a loss of TDKK 10,726, and at 31 December 2022 the balance sheet of the Company shows positive equity of TDKK 52,828.

The COVID-19 pandemic came to an end but still the side affects with high transportation cost and hick-ups in logistic somehow affected the business in various countries.

Another big challenge was the start of the war in Ukraine which led to massive price increases on most of the raw materials as well on energy and financing.

These increases we could not recover hence our margins where impacted negatively. However, we now see a certain stability.

Several of our markets in Africa was hit significantly harder by the increases, since they are very depending on imported raw materials. This led to a food crisis as well as financial crisis with the result that African currencies devaluated heavily.

The company has received contribution from group of DKK 25 million in order strengthen the equity.

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

In 2022 the Company realized a loss of TDKK 10,726 against TDKK 16,314 in 2021. The 2022 result didn't live up to expectations.

Operating risks

The company's 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 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 a profit before financial income and expenses around DKK 0 in 2022.

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 were environmental and climate conditions are included in the processes.

Statement of corporate social responsibility

For our statement on corporate social responsibility, we refer to our parent company, Aller Aqua Group A/S (CVR No 30 90 97 55), annual report for 2022.

Management's review

Statement on gender composition

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 2022. 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 woman on the Board by 2024.

Policy for other management levels
There are no women in the management team today. It is 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 2022 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 management. However, in 2022 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.

Statement on data ethics

For our statement on data ethics, we refer to our parent company, Aller Aqua Group A/S (CVR No 30 90 97 55), annual report for 2022.

Income statement 1 January - 31 December

	Note	2022	2021
		TDKK	TDKK
Revenue		845,906	660,564
Change in inventories of finished goods, work in progress and goods for resale		15,172	11,975
Other operating income		21,902	18,739
Expenses for raw materials and consumables		-781,651	-611,608
Other external expenses		-68,741	-60,854
Gross profit		**32,588**	**18,816**
Staff expenses	1	-40,253	-38,441
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		-2,354	-2,320
Profit/loss before financial income and expenses		**-10,019**	**-21,945**
Income from investments in associates		1,799	-548
Financial income	2	3,483	8,314
Financial expenses	3	-6,609	-6,619
Profit/loss before tax		**-11,346**	**-20,798**
Tax on profit/loss for the year	4	620	4,484
Net profit/loss for the year	5	**-10,726**	**-16,314**

Balance sheet 31 December

Assets

	Note	2022	2021
		TDKK	TDKK
Acquired other similar rights		29	79
Intangible assets	6	**29**	**79**
Plant and machinery		9,241	10,726
Other fixtures and fittings, tools and equipment		1,560	1,187
Property, plant and equipment in progress		6,773	80
Property, plant and equipment	7	**17,574**	**11,993**
Investments in subsidiaries	8	0	0
Investments in associates	9	58,339	56,188
Other investments	10	439	439
Fixed asset investments		**58,778**	**56,627**
Fixed assets		**76,381**	**68,699**
Raw materials and consumables		45,773	22,868
Finished goods and goods for resale		60,746	45,574
Inventories		**106,519**	**68,442**
Trade receivables		94,994	84,541
Receivables from group enterprises		138,699	156,559
Other receivables		6,667	7,722
Deferred tax asset	12	10,658	7,681
Corporation tax		287	5,330
Prepayments	13	0	128
Receivables		**251,305**	**261,961**
Cash at bank and in hand		**4,308**	**4,741**
Current assets		**362,132**	**335,144**
Assets		**438,513**	**403,843**

Balance sheet 31 December

Liabilities and equity

	Note	2022	2021
		TDKK	TDKK
Share capital		10,000	10,000
Reserve for net revaluation under the equity method		16,892	9,309
Retained earnings		25,936	19,245
Equity		**52,828**	**38,554**
Provisions relating to investments in group enterprises		485	0
Provisions relating to investments in associates		0	1,433
Provisions		**485**	**1,433**
Credit institutions		110,663	90,761
Trade payables		106,781	78,230
Payables to group enterprises		162,764	189,059
Other payables	11	4,992	5,806
Short-term debt		**385,200**	**363,856**
Debt		**385,200**	**363,856**
Liabilities and equity		**438,513**	**403,843**

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Statement of changes in equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	10,000	9,309	19,245	38,554
Contribution from group	0	0	25,000	25,000
Net profit/loss for the year	0	7,583	-18,309	-10,726
Equity at 31 December	**10,000**	**16,892**	**25,936**	**52,828**

Cash flow statement 1 January - 31 December

	Note	2022	2021
		TDKK	TDKK
Result of the year		-10,726	-16,314
Adjustments	14	3,061	-3,239
Change in working capital	15	6,542	1,256
Cash flow from operations before financial items		**-1,123**	**-18,297**
Financial income		3,483	8,314
Financial expenses		-6,609	-6,619
Cash flows from ordinary activities		**-4,249**	**-16,602**
Corporation tax paid		2,686	785
Cash flows from operating activities		**-1,563**	**-15,817**
Purchase of intangible assets		0	-5,264
Purchase of property, plant and equipment		-7,885	-500
Fixed asset investments made etc		-1,300	135
Dividends received from associates		0	602
Cash flows from investing activities		**-9,185**	**-5,027**
Repayment of loans from credit institutions		19,902	-10,146
Repayment of payables to group enterprises		-34,587	31,747
Cash capital increase		25,000	0
Cash flows from financing activities		**10,315**	**21,601**
Change in cash and cash equivalents		**-433**	**757**
Cash and cash equivalents at 1 January		4,741	3,984
Cash and cash equivalents at 31 December		**4,308**	**4,741**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		4,308	4,741
Cash and cash equivalents at 31 December		**4,308**	**4,741**

Notes to the Financial Statements

	2022	2021
	TDKK	TDKK

1. Staff Expenses

	2022	2021
Wages and salaries	36,105	34,761
Pensions	1,939	1,881
Other social security expenses	558	522
Other staff expenses	1,651	1,277
	40,253	**38,441**
Including remuneration to the Executive Board and Board of Directors:		
Executive board	981	990
Board of directors	160	160
	1,141	**1,150**
Average number of employees	**57**	**55**

	2022	2021
	TDKK	TDKK

2. Financial income

	2022	2021
Interest received from group enterprises	3	14
Other financial income	3,480	8,300
	3,483	**8,314**

	2022	2021
	TDKK	TDKK

3. Financial expenses

	2022	2021
Interest paid to group enterprises	2,901	5,498
Other financial expenses	3,708	1,121
	6,609	**6,619**

Notes to the Financial Statements

	2022	2021
	TDKK	TDKK
4. Income tax expense		
Current tax for the year	200	-2,809
Deferred tax for the year	-2,977	-1,741
Adjustment of tax concerning previous years	2,157	66
	-620	**-4,484**

	2022	2021
	TDKK	TDKK
5. Profit allocation		
Reserve for net revaluation under the equity method	7,583	-1,150
Retained earnings	-18,309	-15,164
	-10,726	**-16,314**

6. Intangible fixed assets

	Acquired other similar rights
	TDKK
Cost at 1 January	250
Cost at 31 December	250
Impairment losses and amortisation at 1 January	171
Impairment and amortisation of sold assets for the year	50
Impairment losses and amortisation at 31 December	221
Carrying amount at 31 December	**29**

Notes to the Financial Statements

7. Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress
	TDKK	TDKK	TDKK
Cost at 1 January	35,221	5,907	0
Additions for the year	115	1,077	6,692
Disposals for the year	0	-228	0
Transfers for the year	-81	0	81
Cost at 31 December	35,255	6,756	6,773
Impairment losses and depreciation at 1 January	24,415	4,719	0
Depreciation for the year	1,599	705	0
Reversal of impairment and depreciation of sold assets	0	-228	0
Impairment losses and depreciation at 31 December	26,014	5,196	0
Carrying amount at 31 December	**9,241**	**1,560**	**6,773**

Notes to the Financial Statements

	2022	2021
	TDKK	TDKK

8. Investments in subsidiaries

	2022	2021
Transfers for the year	4,100	0
Cost at 31 December	4,100	0
Transfers for the year	-5,785	0
Value adjustments at 31 December	-5,785	0
Equity investments with negative net asset value amortised over receivables	1,200	0
Equity investments with negative net asset value transferred to provisions	485	0
Carrying amount at 31 December	**0**	**0**
Positive differences arising on initial measurement of subsidiaries at net asset value	971	0

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Ownership
Binderup Mølle Dambrug A/S	Aalborg, Denmark	TDKK 5.954	100%

Notes to the Financial Statements

	2022	2021
	TDKK	TDKK

9. Investments in associated companies

	2022	2021
Cost at 1 January	44,246	43,746
Additions for the year	1,301	500
Transfers for the year	-4,100	0
Cost at 31 December	41,447	44,246
Value adjustments at 1 January	9,309	10,459
Net profit/loss for the year	1,798	-548
Dividends received	0	-602
Transfers for the year	5,785	0
Value adjustments at 31 December	16,892	9,309
Equity investments with negative net asset value transferred to provisions	0	2,633
Carrying amount at 31 December	**58,339**	**56,188**

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Ownership and Votes
Emsland Aller Aqua GmbH	Golßen, Tyskland	TEUR 363	45%

10. Other fixed asset investments

	Other investments
	TDKK
Cost at 1 January	439
Cost at 31 December	439
Carrying amount at 31 December	**439**

11. Derivative financial instruments

Derivative financial instruments contracts in the form of forward exchange contracts have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

The company has entered into exchange contracts of mDKK 31 and forward foreign exchange contracts of mDKK 35 primarily to cover future payments.

	2022	2021
	TDKK	TDKK
12. Deferred tax asset		
Deferred tax asset at 1 January	7,681	8,160
Amounts utilized of tax losses in joint taxation		-2,220
Amounts recognised in the income statement for the year	2,977	1,741
Deferred tax asset at 31 December	**10,658**	**7,681**

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.

13. Prepayments

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

	2022	2021
	TDKK	TDKK
14. Cash flow statement - Adjustments		
Financial income	-3,483	-8,314
Financial expenses	6,609	6,619
Depreciation, amortisation and impairment losses, including losses and gains on sales	2,354	2,392
Income from investments in associates	-1,799	548
Tax on profit/loss for the year	-620	-4,484
	3,061	**-3,239**

Notes to the Financial Statements

	2022	2021
	TDKK	TDKK

15. Cash flow statement - Change in working capital

	2022 TDKK	2021 TDKK
Change in inventories	-38,077	-6,205
Change in receivables	8,590	3,894
Change in other provisions	948	-1,200
Change in trade payables, etc	35,081	4,767
	6,542	**1,256**

	2022	2021
	TDKK	TDKK

16. Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with bankers:

	2022 TDKK	2021 TDKK
A floating charge of TDKK 75.000 has been provided for debts to banks with intangible rights, machinery, inventories and receivables with a booked value of	199,036	172,542

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

Rental and lease obligations

	2022 TDKK	2021 TDKK
Lease obligations, period of non-terminability until the 1 January 2030	17,889	20,445

The company has also entered into operational lease contracts in a limited scale. The lease contracts amounts to TDKK 529.

Other contingent liabilities

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

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.

Notes to the Financial Statements

17. Related parties and disclosure of consolidated financial statements

	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 the companies' 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 Group Annual Report of the Parent Company of the largest and smallest group:

Name	Place of registered office
Hans Erik Bylling Holding ApS	Kolding, Denmark
Aller Aqua Group A/S	Kolding, Denmark

Notes to the Financial Statements

18. Accounting policies

The Annual Report of ALLER AQUA A/S for 2022 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 2022 are presented in TDKK.

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

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses 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.

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 transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

Income statements of foreign subsidiaries and associates that are separate legal entities are translated at transaction date rates or approximated average exchange rates. Balance sheet items are translated at the exchange rates at the balance sheet date. Exchange adjustments arising on the translation of the opening equity and exchange adjustments arising from the translation of the income statements at the exchange rates at the balance sheet date are recognised directly in equity.

Income statements of enterprises that are integrated entities are translated at transaction date rates or approximated average exchange rates; however, items derived from non-monetary balance sheet items are translated at the transaction date rates of the underlying assets or liabilities. Monetary balance sheet items are translated at the exchange rates at the balance sheet date, whereas non-monetary items are translated at transaction date rates. Exchange adjustments arising on the translation are recognised in financial income and expenses in the income statement.

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.

Segment information on 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

Net sales

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when the sale is considered effected based on the following criteria:

• delivery has been made before year end;

• a binding sales agreement has been made;

• the sales price has been determined; and

• payment has been received or may with reasonable certainty be expected to be received.

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

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

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.

Notes to the Financial Statements

Other external expenses

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

Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees. The item is net of refunds made by public authorities.

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.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

Tax on profit/loss for the year

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

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with danish group companies. The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Balance sheet

Intangible fixed assets

Acquired other similar rights are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Rights are amortised over the period of the agreements, which is 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.

Interest expenses on loans contracted directly for financing the construction of property, plant and equipment are recognised in cost over the construction period.

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:

Plant and machinery	8 years

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

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Goodwill, head office buildings and other assets for which a separate value in use cannot be determined as the asset does not on an individual basis generate future cash flows are reviewed for impairment together with the group of assets to which they are attributable.

Investments in associates

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

The item "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 associates is transferred upon distribution of 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 associates.

Associates with a negative net asset value are recognised at DKK 0. 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 and costs of completion. 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.

Notes to the Financial Statements

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.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

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. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, 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.

Deferred tax assets and liabilities are offset within the same legal tax entity.

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Financial debts

Loans, such as 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.

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.

Notes to the Financial Statements

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 at year end
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