

The leading specialist international meat packing business



Hilton Foods Danmark A/S

Brunagervej 4, Kolt, DK-8361 Hasselager

Annual Report for 1 January 2017 to 31 December 2017

CVR No. 32 66 40 83

The Annual Report was presented and adopted at
the Annual General Meeting of the Company on
31-05-2018

Jacob Pedersen
Chairman



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Hilton Foods Danmark A/S for the financial year 1 January - 31 December 2017.

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 2017 of the Company and of the results of the Company operations for 2017.

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.

Aarhus, 31 May 2018

Executive Board

Jacob Pedersen
Managing Director

Board of Directors

Robert Andrew Watson

Nigel Richard Majewski

Philip John Heffer



Independent Auditor's Report

To the Shareholder of Hilton Foods Danmark 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 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Hilton Foods Danmark A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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 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.



Independent Auditor's Report

Management's Responsibility 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.

Auditor's Responsibility 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 judgment and maintain professional skepticism 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.



Independent Auditor's Report

- 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.

Aarhus, 31 May 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Henrik Trangeled Kristensen
State Authorised Public Accountant
mne23333

Rasmus Møllergaard Stenskrøge
State Authorised Public Accountant
mne34161



Company Information

The Company	Hilton Foods Danmark A/S Brunagervej 4, Kolt DK-8361 Hasselager CVR No: 32 66 40 83 Financial period: 1 January - 31 December Incorporated: 8 December 2009 Financial year: 8th financial year Municipality of reg. office: Aarhus
Board of Directors	Robert Andrew Watson Nigel Richard Majewski Philip John Heffer
Executive Board	Jacob Pedersen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Nobelparken Jens Chr. Skous Vej 1 DK-8000 Aarhus C



Financial Highlights

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

	2017	2016	2015	2014	2013
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Profit/loss					
Revenue	880,790	836,086	854,320	946,655	1,060,434
Operating profit/loss	26,449	25,086	26,631	29,868	38,889
Profit before financial income and expenses	26,449	25,086	26,631	29,685	34,037
Net financials	-190	107	-951	-1,279	-2,330
Net profit for the year	21,138	19,781	19,801	21,708	25,202
Balance sheet					
Balance sheet total	234,586	208,453	228,650	277,855	341,569
Equity	93,827	92,689	92,908	93,107	91,399
Investment in property, plant and equipment	-2,258	-3,601	-4,850	-2,806	-13,712
Number of employees	198	202	210	226	225
Ratios					
Gross margin	18.1%	19.0%	19.0%	17.8%	16.6%
Profit margin	3.0%	3.0%	3.1%	3.1%	3.2%
Return on assets	11.3%	12.0%	11.6%	10.7%	10.0%
Solvency ratio	40.0%	44.5%	40.6%	33.5%	26.8%
Return on equity	22.6%	21.3%	21.3%	23.5%	32.0%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.



Management's Review

Financial Statements of Hilton Foods Danmark A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The Annual Report has been prepared under the same accounting policies as last year.

Main activity

The Company's main activity is to establish, equip and operate a centralized meat processing and packing company.

Development in the year

The income statement of the Company for 2017 shows a profit of T.DKK 21,138, and at 31 December 2017 the balance sheet of the Company shows equity of T.DKK 93,827.

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

The Company have had a level of activity like the previous year. The investments and level of costs have been in accordance with expectations.

Given the market conditions the Company's operations have fulfilled the expectations, and consequently, the result is considered satisfactory.

Strategy and objectives

Strategy

The strategy of Hilton Foods Danmark A/S is to be the leading meat processing and packing company and distribution channel in Denmark, measured on price, quality, presentation and automation. This to secure the full support of our customer 365 days per year.

Targets and expectations for the year ahead

For 2018 we expect a similar level of activity and profit as in 2017.



Management's Review

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position at 31 December 2017 of the Company and the results of the activities of the Company for the financial year for 2017 have not been affected by any unusual events.

Subsequent events

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

Statutory statement of corporate social responsibility

Hilton Foods Denmark A/S recognises its social, ethical and environmental responsibilities arising from its operations and to the welfare of employees, customers, suppliers and the communities in which we operate.

The Group is committed to working in an ethical, open and honest manner to produce products of the highest quality, responsibly and sustainably.

Food safety

It is essential that consumers have complete confidence in the meat products they purchase and the correctness of the product label information.

Our products are governed by Danish and EU legislation and food safety standards throughout the meat supply chain. The Company is under control by the Danish Veterinary and Food Administration (Fødevarestyrelsen).

Our quality systems provide full traceability of all meat that we use. We continually develop the data collection and reporting of our quality control of the goods. In 2017 we continued to collect samples from each delivery and assessed these for compliance to microbiological standards and compliance to agreed quality specifications. Results are used to assess the performance of suppliers and achieve continuous improvement.

Hilton Foods Denmark A/S were in 2013 accredited by the ISO 22000 standard which is an international standard specifying the requirements for a food safety management system. In 2016 we were accredited by the FSSC 22002 standard.



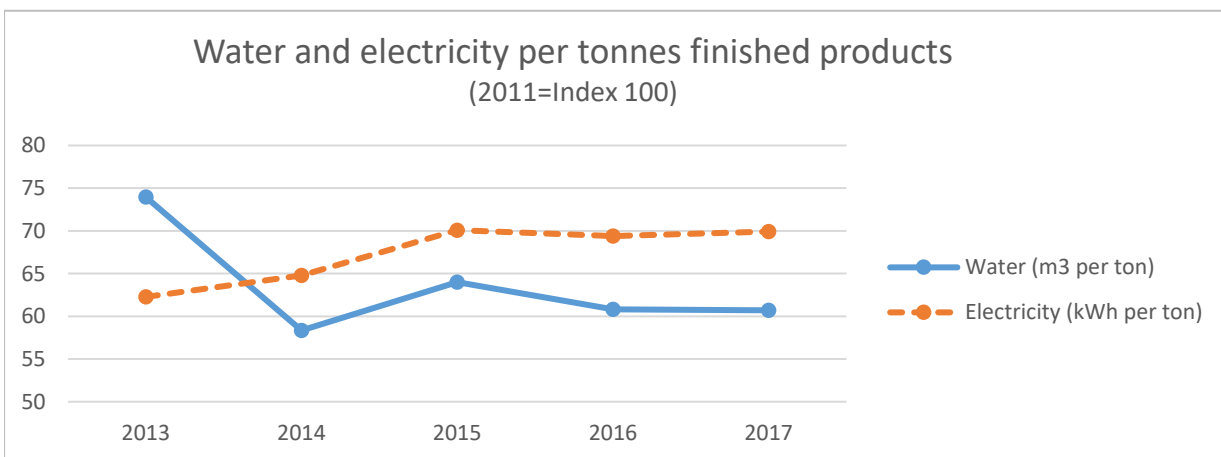
Management's Review

Environment and climate

The supervising authorities in Aarhus Kommune, which issued an environmental approval to the Company in 2010, assess Hilton Foods Danmark A/S' substantial environmental impact.

It is our policy to work actively to reduce the relative usage of water, energy and the volume of organic waste. Continually we register the usage of heat, water and electricity in a CTS-system in order to improve identification and affect the different areas of use, by means of ongoing data collection.

The Company's usage of water and electricity are monitored closely. Usage is generally reduced over the years as a result of changed equipment and procedures. Changes in volume and product mix however have the highest impacts on the consumption. In 2017 we have changed multiple light panels to new LED technology to reduce consumption of electricity.



Ethical standards

Hilton Foods is committed to integrity. Ethical standards are very important in relation to the way we conduct our businesses and all the Group's employees are expected to behave ethically in their work and adhere to the Group's ethical standards. As an international group of companies we are fully aware of the broad spread of our responsibilities in all the countries in which we operate from protecting the environment to safeguarding the health and safety of our employees, respecting human rights, ensuring honesty, integrity and fairness in all our business dealings and operating our businesses in a safe and responsible manner.

Compliance with our Ethical Standards, comprising human rights, are being monitored by our HR staff and reported to our Management Team. We communicate our standards to our suppliers and when we audit them we observe and discuss our standards with them. During our supplier audits in 2017 we have not observed any major issues .



Management's Review

Anti-bribery and Anti-corruption

The Hilton Food Group has implemented an antibribery and anti-corruption policy to comply with UK Bribery Act 2010.

A whistle-blowing policy is in place, in accordance with which staff can confidentially raise any concerns about any actual or potential improprieties in relation to matters of financial reporting or any other aspect of the Group's businesses. No events have been recorded.

Work environment

One of Hilton Foods Danmark A/S' top priorities is to achieve continual improvements in health and safety, so ultimately we can fully avoid any accidents at work. We work systematically with continued improvement of the working environment and since the start up we have had a level of absence due to accidents at the same level as comparable companies in Europe.

In 2017 we have implemented a new Work Environment portal where employees easily can register issues and we can better manage reporting of issues, priority and solutions. The number of work-related accidents is reduced from 5 in 2016 to 0 in 2017.

Our people

We recognise the diversity of our employees as a key factor for success. Diversity and equal opportunities also have a positive effect on work environment and bring people closer together. Besides giving equal opportunities for men and women in managing positions, we also think it is important for employees of different generations, nationalities and cultures to work together and appreciate what each member of the team have to offer. By the end of 2017 the Company employed 23 different nationalities.

The Company have set a target of having minimum 33 % of the underrepresented sex in the board in year 2020. On the other management levels the target of the Company is also to increase the share of the underrepresented sex. To achieve this target the Company continue to focus on this in promotions and new recruitments. We expect to reach this target as we employ our people on the basis of skills to avoid discrimination, but acknowledging that women are currently underrepresented in management we focus on recruiting more women. In 2017, we have monitored employees to identify potential future leaders and planed how to best retain and help the talents in pursuing a career in the company.

The board at Hilton Foods Danmark A/S consists of 3 men and members are appointed by our parent company. In relation to the disclosure requirements of the Danish Financial Statements Act, we consider 'Other Management Levels' to be our Senior Management Group. The present Senior Management Group consists of 0% women and 100% men. There have been no replacements in the board and the senior management group in 2017 for which reason these figures have not changed from last year.



Income Statement 1 January - 31 December

	Note	2017 DKK'000	2016 DKK'000
Revenue	1	880,790	836,086
Expenses for raw materials and consumables		-640,628	-596,332
Other external expenses		-80,874	-80,988
Gross profit/loss		159,288	158,767
Staff expenses	2	-97,043	-97,448
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-35,797	-36,233
Profit/loss before financial income and expenses		26,449	25,086
Financial income	4	95	387
Financial expenses	5	-284	-280
Profit/loss before tax		26,259	25,193
Tax on profit/loss for the year	6	-5,121	-5,411
Net profit/loss for the year		21,138	19,781
Proposed distribution of profit			
Proposed dividend for the year		20,000	20,000
Retained earnings		1,138	-219
		21,138	19,781



Balance Sheet 31 December

	Note	2017 DKK'000	2016 DKK'000
Assets			
Software		492	542
Intangible assets	7	492	542
Plant and machinery		27,775	58,910
Other fixtures and fittings, tools and equipment		2,912	1,801
Leasehold improvements		1,325	4,895
Property, plant and equipment in progress		784	0
Property, plant and equipment	8	32,796	65,606
Other receivables		57	56
Fixed asset investments	9	57	56
Fixed assets		33,344	66,204
Inventories	10	22,068	18,080
Trade receivables		111,584	88,600
Receivables from group enterprises		86	950
Other receivables		4,032	4,192
Deferred tax	12	486	0
Corporation tax		1,875	68
Prepayments	11	8,173	1,264
Receivables		126,235	95,074
Cash at bank and in hand		52,938	29,095
Current assets		201,241	142,249
Assets		234,586	208,453



Balance Sheet 31 December

	Note	2017 DKK'000	2016 DKK'000
Liabilities and equity			
Share capital		43,500	43,500
Retained earnings		30,327	29,189
Proposed dividend for the year		20,000	20,000
Equity		93,827	92,689
Provisions for deferred tax	12	0	2,525
Provisions		0	2,525
Credit institutions		0	0
Trade payables		96,168	72,347
Payables to group enterprises		1,457	1,731
Other payables		43,133	39,161
Short-term debt		140,759	113,239
Debt		140,759	113,239
Liabilities and equity		234,586	208,453
Contingent assets, liabilities and other financial obligations	13		
Fee to auditors appointed at the general meeting	14		
Related parties and ownership	15		
Accounting policies	16		



Statement of changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	DKK'000	DKK'000	DKK'000	DKK'000
Beginning balance	43,500	29,189	20,000	92,689
Ordinary dividend paid	0	0	-20,000	-20,000
Net profit/loss for the year	0	1,138	20,000	21,138
End balance	43,500	30,327	20,000	93,827

The share capital consists of 435,000 shares of a nominal value of DKK 100. No shares carry any special rights.

Over 5 years the share capital has developed as follows:

Equity at 1 January 2013	43,500
Capital increase	0
Capital decrease	0
Equity at 31 December 2017	43,500



Notes to the Financial Statements

	2017	2016
	DKK'000	DKK'000
1 - Revenue		
Geographical segments		
Revenue, Denmark	880,790	836,086
	880,790	836,086
2 - Staff expenses		
Wages and salaries	87,307	87,794
Pensions	7,645	7,516
Other social security expenses	2,091	2,138
	97,043	97,448
Average number of employees	198	202
Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.		
3 - Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Amortisation of intangible assets	266	742
Depreciation of property, plant and equipment	35,547	35,494
Gain and loss on disposal	-16	-3
	35,797	36,233
4 - Financial income		
Exchange adjustments	95	387
	95	387



Notes to the Financial Statements

	2017	2016
	DKK'000	DKK'000
5 - Financial expenses		
Interest paid to group enterprises	0	110
Other financial expenses	203	32
Exchange adjustments	82	139
	284	280
6 - Tax on profit/loss for the year		
Current tax for the year	8,132	8,932
Deferred tax for the year	-3,011	-3,521
	5,121	5,411
7 - Intangible assets		<u>Software</u>
		DKK'000
Cost at 1 January 2017		9,697
Additions for the year		215
Cost at 31 December 2017		9,912
Impairment losses and amortisation at 1 January 2017		9,155
Amortisation for the year		266
Impairment losses and amortisation at 31 December 2017		9,420
Carrying amount at 31 December 2017		492
Amortised over		5 years



Notes to the Financial Statements

8 - Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improve- ments	Property, plant and equipment in progress
	DKK'000	DKK'000	DKK'000	DKK'000
Cost at 1 January 2017	217,551	8,307	24,991	0
Additions for the year	216	2,042	0	784
Disposals for the year	-298	-252	0	0
Transfers for the year	0	0	0	0
Cost at 31 December 2017	217,468	10,097	24,991	784
Impairment losses and amortisation at 1 January 2017	158,641	6,506	20,096	0
Depreciation for the year	31,105	871	3,570	0
Reversal of impairment and depreciation of disposed assets	-53	-192	0	0
Impairment losses and depreciation at 31 December 2017	189,693	7,185	23,667	0
Carrying amount at 31 December 2017	27,775	2,912	1,325	784
Depreciated over	7 years	3-5 years	7 years	0 years

The carrying amount includes interest expenses of DKK 138,579. The interest expenses represent the interest after depreciation accrued in the construction period on the loan used for financing the construction of plants.

9 - Fixed asset investments

	Other receivables
	DKK'000
Cost at 1 January 2017	56
Additions for the year	0
Cost at 31 December 2017	57
Carrying amount at 31 December 2017	57

Other receivables consist of deposits.



Notes to the Financial Statements

	2017	2016
	DKK'000	DKK'000
10 - Inventories		
Raw materials and consumables	19,807	15,850
Finished goods and goods for resale	2,261	2,230
	22,068	18,080

11 - Prepayments

Prepayments consist of prepaid cost for insurance premiums, service agreements, leases, IT, contractual costs etc.

	2017	2016
	DKK'000	DKK'000
12 - Provisions for deferred tax		
Intangible assets	108	119
Property, plant and equipment	-2,079	2,406
Prepayments	1,485	0
	-486	2,525

Deferred tax has been provided at 22% corresponding to the current tax rate. Changes in deferred tax are included in the income statement. The deferred tax asset comes from depreciations for accounting purposes being higher than the taxable depreciations and it has been recognised as an asset as this is expected to be utilised within 1-3 years.



Notes to the Financial Statements

13 - Contingent assets, liabilities and other financial obligations

	2017	2016
	DKK'000	DKK'000
Rental agreements and leases		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	6,339	20,458
Between 1 and 5 years	2,296	5,708
	8,635	26,166
Obligation to designate buyer, operating leases. Expected residual value on expiry of agreement	0	35

The company is a guarantor under Hilton Food Group bank facilities agreements to satisfy performance and payment obligations.

14 - Fee to auditors appointed at the general meeting

Audit fee to PricewaterhouseCoopers	204	175
Tax advisory services	26	10
Non-audit services	69	71
	299	256

15 - Related parties and ownership

Management has chosen only to report transactions not done on arm's length basis. There have been none of these transactions.

Controlling interest

Hilton Food Group plc, Cambridgeshire, United Kingdom

Ultimate parent company

Hilton Foods Limited, Belfast, United Kingdom

Parent company

Ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Hilton Foods Limited, Belfast, United Kingdom

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company Hilton Food Group plc, Cambridgeshire, United Kingdom. The Group Annual Report of Hilton Food Group plc may be obtained from the following address:

<http://hiltonfoodgroupplc.com/2017>



Notes to the Financial Statements

16 - Accounting Policies

Basis of Preparation

The Annual Report of Hilton Foods Danmark A/S for 2017 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 company discloses net revenue broken down into business segments and geographic markets. The company assesses that it has one business segment "meat processing and packing" and one geographic market "Denmark".

Financial Statements for 2017 are presented in thousand DKK as rounded figures.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Hilton Food Group plc, Cambridgeshire, United Kingdom, the Company has not prepared a cash flow statement.

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.



Notes to the Financial Statements

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

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

Translation policies

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. 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 transaction date rates are recognised in financial income and expenses in the income statement.

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

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.

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 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 as well as profit and loss from sale of fixed assets.

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.

Balance Sheet

Intangible assets

Software is measured at the lower of cost less accumulated amortisation and recoverable amount. Software is amortised on a straight-line basis over its useful life, which is assessed at 5 years.



Notes to the Financial Statements

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 raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

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	7 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	7 years

Assets costing less than DKK 13,200 are expensed in the year of acquisition.

Depreciation period and residual values 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.

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 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 sales sum.

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



Notes to the Financial Statements

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 recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Prepayments

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

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

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, 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 setoff 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.

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.



Notes to the Financial Statements

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.

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

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$