



Vega Sea A/S

Agtrupvej 51, DK-6000 Kolding

CVR no. 33 25 28 62

Annual report 2018/19

Approved at the Company's annual general meeting on

18/11 2019

Chairman:

A handwritten signature in blue ink, consisting of a stylized 'J' followed by a large '28', written over a dotted line.

Contents

Statement by Management	2
Independent auditor's report	3
Management's review	6
Company details	6
Group chart	7
Financial highlights for the Group	8
Operating review	9
Consolidated financial statements and parent company financial statements for the period 1 July 2018 - 30 June 2019	13
Income statement	13
Balance sheet	14
Statement of changes in equity	16
Cash flow statement	17
Notes	18
Management review	33

Statement by Management

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Vega Sea A/S for the financial year 1 July 2018 - 30 June 2019



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

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Company at 30 June 2019 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 July 2018 - 30 June 2019.

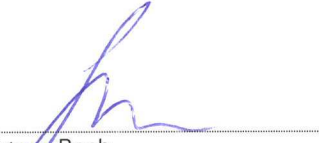
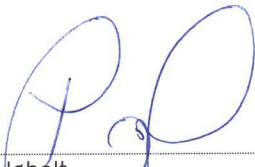
Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's operations and financial matters and the results of the Group's and the Parent Company's operations and financial position.

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

Kolding, 25 September 2019
Executive Board:


Michael Budtz Berthelsen
CEO
Jakob Graasbøll Enemark
CEO

Board of Directors:


Søren Bach
Chairman
Per Høholt
Torben Svejgård
Henning Kruse Lorentzen

Independent auditor's report

To the shareholders of Vega Sea A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Vega Sea A/S for the financial year 1 July 2018 - 30 June 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 30 June 2019 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 July 2018 - 30 June 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control 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 Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent 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 as to 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 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 the financial statements.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and 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 Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the 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 of the Management's review.

Aarhus, 25 September 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Rasmus Berntsen
State Authorised
Public Accountant
mne35461



Kim R. Mortensen
State Authorised
Public Accountant
mne18513

Management's review

Company details

Name	Vega Sea A/S
Address, P.O. Box, city	Agtrupvej 51, DK-6000 Kolding
CVR no.	33 25 28 62
Established	21 October 2010
Registered office	Kolding
Financial year	1 July - 30 June
Board of Directors	Søren Bach, Chairman Per Høholt Torben Svejgård Henning Kruse Lorentzen
Executive Board	Michael Budtz Berthelsen, CEO Jakob Graasbøll Enemark, CFO
Auditor	Ernst & Young Godkendt Revisionspartnerselskab Vaerkmestergade 25, P.O. Box 330, DK-8100 Aarhus C
Attorney	Andersen Partners, Jernbanegade 31, DK-6000 Kolding
Bankers	DNB Bank ASA, Dronning Eufemias gate 30, NO-0191 Oslo Sydbank, Kongensgade 62, DK-6700 Esbjerg

Recommendations for active ownership and corporate governance

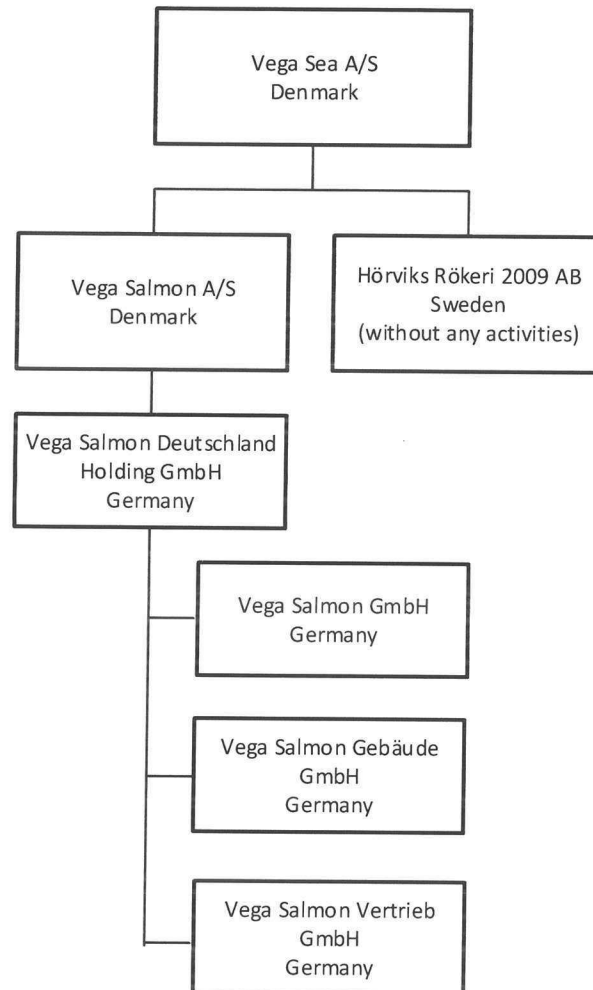
Maj Invest Equity 4 K/S is comprised by the guidelines for Danish Venture and Private Equity Association (DVCA) for active ownership and corporate governance for private equity funds, and therefore, the Vega Sea Group is comprised by the same guidelines.

The Vega Sea Group follows the DVCA guidelines except that no audit committee has been established as the Board of Directors conducts those assignments.

DVCA's guidelines are available at the webpage of the association www.dvca.dk.

Management's review

Group chart



All companies are wholly owned.

Vega Sea A/S is owned by Maj Invest Equity 4 K/S via MIE4 Holding 1 ApS (84.7 %) and Underwood Holding ApS (11.2%) as well as the Board of Directors and other executive employees (4.1%).

Management's review

Financial highlights for the Group

DKK'000	2018/19	2017/18	2016/17	2015/16	2014/15
Key figures					
Revenue	1,170,586	1,482,629	1,433,556	1,021,062	1,017,416
Gross profit	78,536	122,768	126,892	111,930	129,479
Profit before depreciation, amortisation and impairment losses, net financials and special items (EBITDA)	14,648	52,838	52,548	23,893	39,519
Special items, excl. net financials but incl. impairment losses	-5,095	-2,984	-16,377	-11,238	-2,509
Operating profit/loss	-10,188	29,692	14,094	-10,879	16,257
Net financials	-5,652	-9,708	-6,464	-7,263	-8,262
Profit/loss for the year	-11,833	17,699	808	-15,806	5,522
Balance sheet total	284,263	331,599	347,078	330,098	408,271
Investments in property, plant and equipment	25,075	31,191	15,308	9,421	29,141
Net working capital	-42,807	21,774	69,462	43,027	85,393
Net Interest-bearing debt	74,278	93,755	114,166	136,221	170,581
Non-current part of net interest-bearing debt ¹⁾	54,172	61,527	65,774	84,046	97,834
Equity	42,175	69,862	83,493	73,424	90,622
Cash flows from operating activities	62,313	80,382	15,475	45,635	10,687
Cash flows from investing activities	-27,776	-25,715	-993	-11,275	-27,113
Cash flows from financing activities	-39,439	-51,390	-13,033	-34,330	-16,468
Total cash flows	-4,902	3,277	1,449	30	42
Financial ratios					
Gross margin	6.7%	8.2%	8.9 %	11.0 %	12.7 %
EBITDA margin before special items	1.3%	3.5%	3.7 %	2.3 %	3.9 %
Equity ratio	14.8%	21.1%	24.1 %	22.2 %	22.2 %
Return on equity	-21.1%	23.1%	1.0 %	-19.3 %	6.2 %
Average number of full-time Vega employees	235	247	238	300	291
Average number of full-time temps	182	212	116	N/A	N/A
Total number of full-time workers	417	459	354		

- 1) According to bank agreement at 8 July 2019 DKK 50 million is non-current compared to the balance sheet at 30 June 2019. This has been reflected in the key figures above.

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Gross margin	$\frac{\text{Gross margin} \times 100}{\text{Revenue}}$
EBITDA margin before special items	$\frac{\text{EBITDA before special items}}{\text{Revenue}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss for the year after tax} \times 100}{\text{Average equity}}$

Management's review

Operating review

Business review

The Group's principal activity is developing, purchasing, processing and distributing fish product - primarily salmon.

The production and distribution activities are executed from the production facilities in Germany.

To secure high quality products the Group is especially focusing on testing the products quality before delivering the products to the Group's customers. The Group's customers are global quality-conscious entities with strong focus on food safety.

Furthermore, it is group policy to use considerable resources on product development, so that the Group can offer its customers products with high focus on quality, food-safety, taste and consumer-friendly wrapping/packaging and product diversification. Thus, the development of new product categories is highly prioritised.

As a natural and important part of the Group's focus areas, we work intensively on improving efficiency and maintaining and improving the quality of our products to ensure that the Group at all times offers products that live up to every applicable standard for the industry, and at the same time, we increasingly wish to offer traceability and support sustainability.

Approx. 90% of the Group's yearly revenue is generated outside Scandinavia and based on the Group's product range and high quality, dedicated efforts are made to expand the export share.

Cooperation with the Group's customers, suppliers and other business partners is based on partnerships to create value for all parties involved and to ensure that the end users get a unique product and taste experience.

Financial review

In the year under review, the Group realised revenue of DKK 1,171 million, which is a decrease of 21%. During 2018/19, the average price level on Head-On-Gutted (HOG) salmon decreased 1% compared to last year, but still with considerable day-to-day volatile fluctuations during the entire financial year. The Group realised a decline in the volume sold of 22% and a generally lower sales price per kg due to increased competition which negatively impacted both revenue and gross margin.

As a result of the lower sales activity, the Group implemented changes of processes, systems and organizations based on a large project with focus on efficiencies as well as reducing the costs through all elements of the supply chain securing the right balance between revenue and costs going forward.

Compared with previous years, this year's result of the Group was affected by substantial quality issues on raw material delivered at the beginning of the financial year. High outside temperatures in the summer of 2018 led to an extraordinary impact on the yield, high scrapping, cleaning and maintenance costs in order to, as always, secure the highest level of quality and Food Safety. The negative impact from the quality issues regarding the raw material totalled DKK 5.1 million (Special items). To prevent similar events the Group changed production processes and upgraded the cooling capacity and the general utilities at the factory in September 2018.

Following the above, the Group realised a profit before depreciation and amortisation, net financials, tax and special items (EBITDA before special items) of DKK 14.6 million against DKK 52.8 million in 2017/18.

Management's review

Operating review

The Group succeeded in reducing the inventory by DKK 56.0 million which was the main reason for improving the working capital by DKK 64.6 million.

Last year's result and the above improvement in the working capital provided the basis for a dividend payment of DKK 15 million in October 2018 and in addition a reduction of the Group's net interest-bearing debt by DKK 19.5 million.

The profit for the year is considered dissatisfactory compared to last year's expectation.

As in previous years, investments have been made in production equipment, etc. which allow the Group still to efficiently provide competitive products to the benefit of the Group and the Group's business partners. A large part of this year's investments was attributable to the further expansion of production capacity in Germany increasing the capacity of smoke capacity by 50%. The expansion will as planned be finalised in the second half of 2019.

In the financial year, changes in the organisational structure had an impact on the equity due to the incentive programme introduced. The ownership structure in Vega Sea A/S has thus been changed to the below equity interests on page 7.

Outlook

The Group continues its strategy to focus on existing and new partnerships, invest in product, market and sales development, ensure the highest quality standards - including sustainability, expansion of overseas markets and to maintain focus on internal processes in order to improve cost efficiency.

The expansion of the smoke production capacity in Germany in 2019 supports the strategy and is expected to have a positive impact on the operating profit in 2019/20. Due to the volatile prices in the salmon market the development in revenue in terms of value is not considered important but more the focus on sales in terms of volume. It is the expectation next year to achieve similar volume as in 2018/19 but with a different sales mix which will lead to a slight increase in revenue and contribution assuming the current prices on HOG salmon. Conclusively, based on a slight increase in contribution and an improved cost base, Management expects an increase in the operating profit in the financial year 2019/20 to a positive level between DKK 0-10 million.

Special risks

It is group policy to currently hedge raw material purchases and currencies, and therefore, the volume of fixed price contracts and forward exchange contracts is considerable.

Financial risks

The Group's primary financing sources are bank loans, leasing debt and overdraft facilities. Due to its operations, investments and financing, the Group is exposed to changes in exchange rates and interest rates. Vega Sea A/S manages the Group's financial risks centrally and coordinates the Group's cash management, including new funding and placement of excess liquidity. If deemed expedient to reduce the financial risks, financial instruments are held in the form of foreign exchange contracts and interest rate swaps.

Management's review

Operating review

Employees/Temps

The development in employees is specified as follows:

	Total	Denmark	Rest of world
Number of employees, beginning of the year	249	30	219
Number of employees, year end	226	21	205
Average number of employees	235		

The decrease in the temps from last years average of 212 to this years average of 182 was due to the lower production in Germany.

Environment

The Group strives at all times to comply with applicable environmental legislation so that the environmental impact on the surroundings are minimised to the extent possible. Based on the below-mentioned UN Global Compact progress report, the Group continuously implements measures to limit energy consumption, water release, etc. to the highest extent possible.

Research and development activities

On an ongoing basis, the Group deploys resources for product development for the benefit of the Group's business partners, but has no major research and development activities.

CSR report

In March 2014, the Group joined UN Global Compact. The progress report for the year has been published and is obtainable at <https://www.unglobalcompact.org/participation/report/cop/create-and-submit/active/432750>.

The report represents a statutory statement of corporate social responsibility pursuant to the exemption given in the Danish Financial Statements Act Section 99a.

Goals for the gender quotation on the Group's Boards of Directors

According to legislation on the gender quotation on the Management Board in Danish enterprises, the group entities Vega Sea A/S and Vega Salmon A/S have laid down that board members elected by the general meeting are at least to account for 20% of the underrepresented gender at the ordinary general meeting in 2020/21 at the latest. The other group entities are not subject to those rules.

Upon the presentation of the annual report of Vega Sea A/S for 2018/19, none of the four members of the Board of Directors were female. No new members of the Board of Directors have been elected during the financial year 2018/19.

The target number for female managers in the Vega Group is 15% for Management. As of 30 June 2019, female managers in the entity accounted for 16.7% against 12.5% last year. We have prepared a policy that is to ensure that the share of women at top management levels is increased. In order to increase the number of women at intermediate level, management has implemented career development for high potential female managers.

Management's review

Operating review

Corporate governance

Vega Sea A/S' Board of Directors and Executive Board always aim at ensuring that the Group's management structure and control systems are appropriate and function satisfactorily. Management assesses on an ongoing basis whether this is the case.

Management's duties are among other things based on the Danish Companies Act, the Danish Financial Statements Act, the Company's Articles of Association as well as good practice for enterprises of the same size and with the same international reach as Vega Sea A/S. Moreover, by virtue of being owned by a private equity fund, the Company complies with guidelines on responsible ownership and corporate governance. On this basis, a number of internal procedures have been developed and are regularly updated in order to ensure an active, safe and profitable management of the Group.

Duties of the Board of Directors

The Board of Directors of Vega Sea A/S and its group entities ensure that the Executive Boards comply with the Boards of Directors' aims, strategies and business procedures. Information from the Executive Boards of the individual companies is given systematically at meetings and through written and oral reporting. This reporting e.g. comprises the development in the Company's surroundings, the Company's development, profitability and the financial position.

The Board of Directors of Vega Sea A/S holds meetings according to a fixed schedule at least six times a year. A strategy seminar is usually held once a year. In the period between the ordinary meetings of the Board of Directors, the Board of Directors receives, on a regular basis, written information on the Company's and the Group's results of operation and financial position.

The Board of Directors' and the Executive Board's directorships in other companies are disclosed on page 33, Appendix A.

Remuneration of Management

Remuneration of the Board of Directors of Vega Sea A/S is made separately.

In order to attract and maintain the Group's managerial qualifications, the members of the Executive Board and executive employees' remuneration is set according to tasks, value created and terms in comparable companies. Remuneration includes incentive programmes, which are to ensure shared interests of the Company's Management and the Board of Directors.

Dividend policy

Dividend distribution must be made taking into consideration the Group's continued development and existing agreements with funding sources.

Stakeholders

The Vega Sea A/S Group seeks to develop and maintain good relations with its stakeholders on an on-going basis, as such relations are assessed to have a significant and positive effect on the Group's development.

Primary stakeholders are the Group's customers, employees, suppliers and shareholders.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date that would influence the assessment of the annual report.

Consolidated financial statements and parent company financial statements for the period 1 July 2018 - 30 June 2019

Income statement

Note	DKK'000	Group		Parent	
		2018/19	2017/18	2018/19	2017/18
3	Revenue	1,170,586	1,482,629	0	0
	Changes in inventories of finished goods and work in progress	-44,935	28,995	0	0
	Other operating income	4,297	4,949	0	0
	Raw materials and consumables	-928,495	-1,248,912	0	0
	Other external expenses	-122,917	-144,893	-237	-117
	Gross profit/loss	78,536	122,768	-237	-117
4	Staff costs	-68,983	-72,914	-550	-550
	Amortisation of intangible assets and depreciation on property, plant and equipment and impairment losses	-19,741	-20,162	0	0
	Operating profit/loss	-10,188	29,692	-787	-667
	Income from equity investments in group entities	0	0	-10,196	19,197
5	Financial income	563	1,333	1,771	1,166
5	Financial expenses	-6,215	-11,041	-3,167	-2,419
	Profit before tax	-15,840	19,984	-12,379	17,277
6	Tax for the year	4,007	-2,285	546	422
	Profit/loss for the year	-11,833	17,699	-11,833	17,699

Consolidated financial statements and parent company financial statements for the period 1 July 2018 - 30 June 2019

Balance sheet

Note	DKK'000	Group		Parent	
		2019	2018	2019	2018
	ASSETS				
	Fixed assets				
7	Intangible assets				
	Software, etc.	600	1,259	0	0
	Development projects	3,207	0	0	0
		<u>3,807</u>	<u>1,259</u>	<u>0</u>	<u>0</u>
8	Property, plant and equipment				
	Land and buildings	107,991	103,746	0	0
	Plant and machinery	50,708	47,085	0	0
	Fixtures and fittings, tools and equipment	3,445	4,294	0	0
	Leasehold improvements	145	207	0	0
	Assets under construction	11,263	12,282	0	0
		<u>173,552</u>	<u>167,614</u>	<u>0</u>	<u>0</u>
9	Investments				
	Investments in group entities	0	0	70,415	95,808
	Other securities and investments	35	35	35	0
		<u>35</u>	<u>35</u>	<u>70,450</u>	<u>95,808</u>
	Total fixed assets	<u>177,394</u>	<u>168,908</u>	<u>70,450</u>	<u>95,808</u>
	Non-fixed assets				
	Inventories				
	Raw materials and consumables	23,629	34,684	0	0
	Work in progress	4,929	5,465	0	0
	Finished goods	53,227	97,626	0	0
		<u>81,785</u>	<u>137,775</u>	<u>0</u>	<u>0</u>
	Receivables				
	Trade receivables	10,981	9,008	0	0
	Receivables from group entities	0	0	40,965	33,298
10	Deferred tax assets	5,617	1,053	479	0
	Income taxes receivable	0	219	0	0
	Income tax - joint taxation	0	0	457	836
	Other receivables	7,486	8,348	0	0
11	Prepayments	757	1,143	0	0
		<u>24,841</u>	<u>19,771</u>	<u>41,901</u>	<u>34,134</u>
	Cash	<u>243</u>	<u>5,145</u>	<u>0</u>	<u>1,421</u>
	Total non-fixed assets	<u>106,869</u>	<u>162,691</u>	<u>41,901</u>	<u>35,555</u>
	TOTAL ASSETS	<u>284,263</u>	<u>331,599</u>	<u>112,351</u>	<u>131,363</u>

Consolidated financial statements and parent company financial statements for the period 1 July 2018 - 30 June 2019

Balance sheet

Note	DKK'000	Group		Parent	
		2019	2018	2019	2018
	EQUITY AND LIABILITIES				
	Equity				
12	Share capital	21,238	21,238	21,238	21,238
	Reserve for net revaluation according to the equity method	0	0	7,845	18,836
	Retained earnings	20,937	48,624	13,092	29,788
	Total equity	42,175	69,862	42,175	69,862
	Liabilities				
13	Non-current liabilities other than provisions				
	Payables to banking institutions	0	54,000	0	54,000
	Lease commitments	4,172	7,527	0	0
	Income tax - joint taxation	0	2,905	0	0
14	Deferred income	19,017	20,868	0	0
		23,189	85,300	0	54,000
	Current liabilities other than provisions				
13	Current portion of non-current liabilities	57,366	7,279	54,000	4,000
	Payables to banking institutions	12,983	30,095	12,858	0
	Trade payables	123,375	113,946	0	0
	Income tax - joint taxation	2,831	2,393	0	0
	Income tax payable	22	164	0	0
	Other payables	20,441	20,554	3,318	3,501
13,14	Deferred income	1,881	2,006	0	0
		218,899	176,437	70,176	7,501
	Total liabilities	242,088	261,737	70,176	61,501
	TOTAL EQUITY AND LIABILITIES	284,263	331,599	112,351	131,363

- 1 Accounting policies
- 2 Special items
- 16 Collateral
- 17 Contractual obligations and contingencies, etc.
- 18 Foreign currency and interest rate risks and use of derivative financial instruments
- 19 Related parties
- 20 Other

Consolidated financial statements and parent company financial statements for the period 1 July 2018 - 30 June 2019

Statement of changes in equity

Note

DKK'000	Group		
	Share capital	Retained earnings	Total
Equity at 1 July 2017	21,146	62,347	83,493
Capital increase/warrants	92	651	743
Profit/loss for the year	0	17,699	17,699
Dividend	0	-35,000	-35,000
Foreign exchange adjustments	0	-713	-713
Value adjustments of hedging instruments after tax	0	3,640	3,640
Equity at 1 July 2018	21,238	48,624	69,862
Profit/loss for the year	0	-11,833	-11,833
Dividend during the financial year	0	-15,000	-15,000
Foreign exchange adjustments	0	-88	-88
Value adjustments of hedging instruments after tax	0	-707	-707
Acquisition of warrants	0	-59	-59
Equity at 30 June 2019	21,238	20,937	42,175

Note	DKK'000	Parent			
		Share capital	Net revaluation according to the equity method	Retained earnings	Total
	Equity at 1 July 2017	21,146	26,712	35,635	83,493
	Capital increase/warrants	92	0	651	743
15	Profit/loss for the year	0	19,197	-1,498	17,699
	Dividend from subsidiaries (including year-end)	0	-30,000	30,000	0
	Dividend during the financial year	0	0	-35,000	-35,000
	Foreign exchange adjustments	0	-713	0	-713
	Value adjustments of hedging instruments after tax	0	3,640	0	3,640
	Equity at 1 July 2018	21,238	18,836	29,788	69,862
15	Profit/loss for the year	0	-10,196	-1,637	-11,833
	Dividend during the financial year	0	0	-15,000	-15,000
	Foreign exchange adjustments	0	-88	0	-88
	Value adjustments of hedging instruments after tax	0	-707	0	-707
	Acquisition of warrants	0	0	-59	-59
	Equity at 30 June 2019	21,238	7,845	13,092	42,175

Consolidated financial statements and parent company financial statements for the period 1 July 2018 - 30 June 2019

Cash flow statement

Note	DKK'000	Group	
		2018/19	2017/18
	Profit/loss for the year before interest	-10,188	29,692
	Depreciation, amortisation and impairment losses	19,741	20,162
	Changes in working capital	64,581	47,688
	Other adjustments of non-cash operating items	-3,287	-9,880
	Cash generated from operations (operating activities)	70,847	87,662
	Financial income received	563	1,333
	Financial expenses incurred	-6,215	-8,105
	Income taxes refunded/paid	-2,882	-508
	Cash flows from operating activities	62,313	80,382
	Acquisition of intangible assets	-3,502	-481
	Acquisition of property, plant and equipment	-25,075	-31,191
	Disposal of property, plant and equipment	801	5,957
	Cash flows from investing activities	-27,776	-25,715
	Changes in non-current liabilities, net	-7,268	-8,376
	Changes in short-term debt to banks	-17,112	-8,754
	Capital increase/warrants	-59	743
	Dividend	-15,000	-35,000
	Cash flows from financing activities	-39,439	-51,387
	Changes in cash and cash equivalents	-4,902	3,277
	Cash and cash equivalents at 1 July	5,145	1,868
	Cash and cash equivalents at 30 June	243	5,145

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements.

Consolidated financial statements and parent company financial statements for the period 1 July 2018 – 30 June 2019

Notes

1 Accounting policies

The annual report of Vega Sea A/S for 2018/19 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

The accounting policies are consistent with those of last year. Some accounting items have been reclassified. The comparative figures have been restated.

Consolidation

The consolidated financial statements comprise the parent company Vega Sea A/S and entities controlled by the parent company. Control is deemed to exist when the parent company directly or indirectly holds more than 50% of the voting rights. Control may also exist via agreement or articles of association or because the parent company in some other way has or actually exercises control in a subsidiary.

The existence and impact of potential voting rights that are actually exercisable or convertible are taken into account when assessing whether control exists.

The financial statements of the consolidated entities have been prepared in accordance with the parent company's accounting policies. The consolidated financial statements are prepared based on the consolidated entity's financial statements by aggregating similar financial statement items. Intra-group income, costs, profits, losses, investments, dividends and balances are eliminated. Investments in consolidated enterprises are set off against the proportionate share of the consolidated enterprise's fair value of assets and liabilities at the acquisition date.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at closing rates. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Foreign subsidiaries are considered separate entities. The income statements are translated at the average exchange rates for the month, and the statement of financial position items are translated at closing rates. Foreign exchange differences arising on translation of the opening equity of foreign entities to closing rates and on translation of the income statements from average exchange rates to closing rates are taken directly to equity.

Foreign exchange adjustments of balances with separate foreign subsidiaries which are considered part of the total investment in the subsidiary are taken directly to equity. Foreign exchange gains and losses on loans and derivative financial instruments designated as hedges of foreign subsidiaries are also recognised directly in equity.

Leases

For accounting purposes, lease contracts are classified as either finance or operating lease obligations.

A lease is classified as a finance lease when it transfers substantially all risks and rewards of the leased asset as if the asset had been owned. Other leases are classified as operating leases.

Finance lease assets are capitalised under property, plant and equipment and are depreciated over their expected useful lives. The corresponding finance lease obligations are recognised in liabilities. Operating lease expenses are recognised on a straight line basis in the income statement over the lease term.

Consolidated financial statements and parent company financial statements for the period 1 July 2018 – 30 June 2019

Notes

1 Accounting policies (continued)

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are recognised at cost and subsequently at fair value. Positive and negative fair values of derivative financial instruments are included in "Other receivables" or "Other payables", respectively.

Changes in the fair value of derivative financial instruments classified as and qualifying for designation as hedges of the fair value of a recognised asset or a recognised liability are recognised in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and qualifying for recognition as an instrument used for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of the selling price/cost of the relevant financial statement items.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in profit or loss as financial income or financial expenses.

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when delivery and transfer of risk to the buyer have taken place. Revenue from the sale of services is recognised in the income statement when delivery to the buyer has taken place. Revenue is recognised exclusive of VAT, duties and rebates in connection with the sale and is measured at the selling price at the agreed consideration.

Changes in inventories of finished goods and work in progress

Changes in inventories of finished goods and work in progress comprises the net movement in the financial year.

Other operating income and expenses

Other operating income and expenses comprise items secondary to the principal activities of the Company, including gains or losses on the disposal of non-current assets.

Raw materials and consumables

Raw materials and consumables include the consumption of raw materials and consumables in the financial year after adjustment of changes in inventories of raw materials and consumables from the beginning of the year to the end of the year. The item includes any shrinkage and usual impairment losses of the inventories in questions.

Other external costs

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including compensated absence and pensions, and other social security costs, etc. relating to the employees. The item is net of refunds from public authorities.

Consolidated financial statements and parent company financial statements for the period 1 July 2018 - 30 June 2019

Notes

1 Accounting policies (continued)

Amortisation of intangible assets, depreciation on property, plant and equipment and impairment losses

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

Income from equity investments in group entities

The item comprises the proportionate share of the individual subsidiaries' profits/losses after tax after elimination of intra-group profits/losses.

Grants

EU grants received for capital expenditures are recognised in the balance sheet as prepayments and are recognised as the fixed assets are depreciated. Prepayments are recognised as other operating income.

Financial income

Financial income comprises interest income, net gains on receivables, payables regarding transactions denominated in foreign currencies, amortisation of financial income as well as refunds under the on-account tax scheme, etc.

Financial expenses

Financial expenses comprise interest expenses, net losses on receivables, payables regarding transactions denominated in foreign currencies, amortisation of financial liabilities as well as surcharges under the on-account tax scheme, etc.

Taxation

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

The parent company is jointly taxed with MIE4 Holding 1 ApS and all Danish subsidiaries. The current Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income (full absorption with refunds regarding tax losses).

Balance sheet

Intangible assets

Intangible assets comprise software rights, etc. and completed development projects, that are measured at cost less accumulated amortisation and impairment losses. Software rights, etc. and completed development projects are amortised over 3-5 years.

Write-down of intangible assets are made to the recoverable amount if this is lower than the carrying amount.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. For assets held under finance leases, cost is the lower of the fair value of the asset and the present value of future lease payments.

Consolidated financial statements and parent company financial statements for the period 1 July 2018 - 30 June 2019

Notes

1 Accounting policies (continued)

The basis of depreciation is cost less expected residual value at the end of the useful life. Depreciation is provided on a straight-line basis over the following expected useful lives:

Buildings	20-50 years
Plant and machinery	5-8 years
Fixtures and fittings, tools and equipment	3-10 years

Land is not depreciated.

The basis of depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the amortisation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Write-down of property, plant and equipment is made to the recoverable amount if this is lower than the carrying amount.

Gains and losses on the disposal of items of property, plant and equipment are calculated as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Investments in group entities

Investments in group enterprises are recognised and measured according to the equity method. This implies that investments are measured at the proportionate share of the Company's net asset value minus or plus any unrealised intra-group profits and losses.

Impairment of fixed assets

Intangible assets, property, plant and equipment and investments in group entities are subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation. Impairment tests are conducted in respect of individual assets or groups of assets generating separate cash flows when there are indications of impairment. The assets are written down to the higher of the value in use and net realisable value (recoverable amount) of the asset or group of assets if this is lower than the carrying amount.

Receivables

Receivables are measured at cost less write-down for bad debt losses that are based on an individual assessment.

Other securities and investments

Other securities and investments, etc. are measured at fair value at the balance sheet date. If the fair value cannot be reliably measured, securities are measured at cost less any impairment losses.

Consolidated financial statements and parent company financial statements for the period 1 July 2018 - 30 June 2019

Notes

1 Accounting policies (continued)

Inventories

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

Raw materials and consumables are measured at cost, comprising purchase price plus delivery costs. The cost of manufactured goods and work in progress includes the cost of raw materials, consumables, direct labour and production overheads.

Production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the cost.

The net realisable value of inventories is calculated as the expected selling price less costs of completion and expenses that must be incurred to effect the sale.

Prepayments (assets)

Prepayments comprise prepaid costs concerning subsequent financial years.

Income taxes

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

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Cash

Cash comprises cash at hand and bank deposits.

Equity

Net revaluation reserve according to the equity method

Net revaluation of equity investments in subsidiaries and associates is recognised at cost in the net revaluation reserve according to the equity method.

The reserve can be eliminated in case of losses, realisation of equity investments or changes in accounting estimates.

The reserve cannot be recognised at a negative amount.

Dividend

Proposed dividend is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the year is presented as a separate line item in equity.

Consolidated financial statements and parent company financial statements for the period 1 July 2018 - 30 June 2019

Notes

1 Accounting policies (continued)

Liabilities

Financial liabilities are recognised at the date of borrowing at the proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income comprises payments received concerning income in subsequent years. Moreover, the item includes EU grants for capital expenditure, which are recognised as revenue as the fixed assets concerned are depreciated.

Cash flow statement

The cash flow statement shows the Company's cash flows from operating, investing and financing activities for the year, the year's changes in cash as well as the Company's cash at the beginning and end of the year.

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non-cash operating items, changes in working capital and paid corporate income tax.

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

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related costs as well as the raising of loans, repayment of long-term interest-bearing debt, changes in short-term debt to banks and payment of dividends to shareholders.

Cash include cash at bank and bank deposits.

Segment information

Information is disclosed by geographical markets. Segment information is based on the Company's accounting policies, risks and internal financial management.

Consolidated financial statements and parent company financial statements for the period 1 July 2018 - 30 June 2019

Notes

2 Special items

Special items comprise significant income and expenses of a special nature relative to the Group's revenue generating operating activities such as costs of comprehensive structuring of processes and basic structural adjustments as well as any disposal gains and losses relating thereto and which over time are of significant importance. Special items also comprise significant one-off items, which, in the opinion of Management, do not form part of the Group's operating activities.

As disclosed in the Management's review, the loss for the year is affected by an extraordinary high level of quality issues on the raw materials received in the beginning of the summer of 2018, which, in the opinion of the Board of Directors, do not form part of the operating activities.

DKK'000	Group		Parent	
	2018/19	2017/18	2018/19	2017/18
Special items				
Costs				
Change in agent set-up	0	-5,306	0	0
Restructuring costs	0	-435	0	0
Adjustment regarding swap	0	-2,936	0	0
Quality issues	-5,095	0	0	0
Income				
Gain regarding sale of property, plant and equipment	0	2,757	0	0
	<u>-5,095</u>	<u>-5,920</u>	<u>0</u>	<u>0</u>
Special items are recognised in the below line items				
Raw materials and consumables	-3,038	0	0	0
Staff costs	-478	0	0	0
Other external expenses	-1,579	-5,741	0	0
Other income	0	2,757	0	0
Financial expenses	0	-2,936	0	0
Income from equity investments in group entities	0	0	-3,974	-4,618
Profit/loss on special items before tax	<u>-5,095</u>	<u>-5,920</u>	<u>-3,974</u>	<u>-4,618</u>
Tax	1,121	1,302	0	0
Profit/loss on special items after tax	<u>-3,974</u>	<u>-4,618</u>	<u>-3,974</u>	<u>-4,618</u>

Consolidated financial statements and parent company financial statements for the period 1 July 2018 - 30 June 2019

Notes

DKK'000	Group		Parent	
	2018/19	2017/18	2018/19	2017/18
3 Revenue				
Revenue broken down on geographical segments:				
Domestic market (Denmark and Sweden)	104,134	213,085	0	0
Export markets (other countries)	1,066,452	1,269,544	0	0
	<u>1,170,586</u>	<u>1,482,629</u>	<u>0</u>	<u>0</u>
The Group has one business segment, which is sale of fish.				
4 Staff costs				
Wages and salaries	58,180	62,531	550	550
Pensions	2,086	2,177	0	0
Other social security costs	8,448	7,967	0	0
Other staff costs	269	239	0	0
	<u>68,983</u>	<u>72,914</u>	<u>550</u>	<u>550</u>
Average number of full-time employees	<u>235</u>	<u>247</u>	<u>1</u>	<u>1</u>
Remuneration of the entity's Management totals:				
Executive Board	4,007	4,100	0	0
Board of Directors	550	550	550	550
	<u>4,557</u>	<u>4,650</u>	<u>550</u>	<u>550</u>
Remuneration of the Company's Management includes costs for existing and former members of the Board of Directors and the Executive Board. For issued warrants reference is made to note 12.				
5 Net financials				
Financial income				
Interest income from group entities	0	0	1,685	1,166
Foreign exchange adjustments	149	1,332	0	0
Other financial income	414	1	86	0
	<u>563</u>	<u>1,333</u>	<u>1,771</u>	<u>1,166</u>
Financial expenses				
Interest expenses to group entities	0	0	135	0
Other financial expenses	6,215	11,041	3,032	2,419
	<u>6,215</u>	<u>11,041</u>	<u>3,167</u>	<u>2,419</u>
6 Tax on profit/loss for the year				
Computed tax on the taxable income for the year	-425	-3,588	0	422
Adjustments of deferred tax for the year	4,564	1,041	479	0
Adjustment of prior-year taxes	67	64	67	0
Adjustment of equity movements	-199	198	0	0
	<u>4,007</u>	<u>-2,285</u>	<u>546</u>	<u>422</u>

(- = costs)

Consolidated financial statements and parent company financial statements for the period 1 July 2018 - 30 June 2019

Notes

7 Intangible assets

DKK'000	Group	
	Completed development projects	Software, etc.
Cost at 1 July 2018	0	9,327
Additions	3,376	126
Cost at 30 June 2019	3,376	9,453
Amortisation and impairment losses at 1 July 2018	0	8,068
Amortisation	169	785
Amortisation and impairment losses at 30 June 2019	169	8,853
Carrying amount at 30 June 2019	3,207	600

8 Property, plant and equipment

DKK'000	Group				
	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Leasehold improvements	Assets under construction
Cost at 1 July 2018	133,616	95,519	11,493	302	12,282
Foreign exchange adjustments	202	147	13	0	18
Additions	3,239	10,796	468	0	10,572
Transfers	6,423	5,186	0	0	-11,609
Disposals	0	-2,828	-1,407	0	-0
Cost at 30 June 2019	143,480	108,820	10,567	302	11,263
Depreciation and impairment losses at 1 July 2018	29,870	48,432	7,199	95	0
Foreign exchange adjustments	46	3	9	0	0
Depreciation	5,573	12,117	1,035	62	0
Reversal of accumulated depreciation and impairment losses on assets sold	0	-2,440	-1,121	0	0
Depreciation and impairment losses at 30 June 2019	35,489	58,112	7,122	157	0
Carrying amount at 30 June 2019	107,991	50,708	3,445	145	11,263
Portion related to assets held under finance leases	0	4,597	0	0	0

Consolidated financial statements and parent company financial statements for the period 1 July 2018 - 30 June 2019

Notes

9 Investments

	Group
	Other securities
DKK'000	
Cost at 1 July 2018	35
Cost at 30 June 2019	35
Carrying amount at 30 June 2019	35

	Parent Company	
	Investments in group entities	Other securities
DKK'000		
Cost at 1 July 2018	61,968	0
Additions	25,000	35
Disposals	-24,402	0
Cost at 30 June 2019	62,566	35
Revaluations at 1 July 2018	33,840	0
Foreign exchange adjustments, etc.	-88	0
Dividend	-15,000	0
Profit/loss for the year	-10,196	0
Value adjustments of hedging instruments	-707	0
Transferred from provisions	0	0
Revaluations at 30 June 2019	7,849	0
Carrying amount at 30 June 2019	70,415	35

Subsidiaries	Capital	Registered office	Ownership interest
Vega Salmon A/S	DKK 500 thousand	Kolding, Denmark	100.00%
Vega Salmon Deutschland Holding GmbH	EUR 25 thousand	Flensburg, Germany	100.00%
Vega Salmon GmbH	EUR 1,000 thousand	Flensburg, Germany	100.00%
Vega Salmon Vertrieb GmbH	EUR 25 thousand	Flensburg, Germany	100.00%
Vega Salmon Gebäude GmbH	EUR 200 thousand	Flensburg, Germany	100.00%
Hörviks Rökeri 2009 AB (without any activities)	SEK 6,000 thousand	Sölvesborg, Sweden	100.00%

See also group chart on page 7.

Consolidated financial statements and parent company financial statements for the period 1 July 2018 - 30 June 2019

Notes

DKK'000	Group		Parent	
	2018/19	2017/18	2018/19	2017/18
10 Deferred tax				
Deferred tax at 1 July	-1,053	549	0	0
Adjustment previous year	0	-561	0	0
Adjustments for the year	-4,564	-1,041	-479	0
Deferred tax at 30 June	-5,617	-1,053	-479	0

The Group has a tax asset of DKK 0.9 million which has not been recognised as utilisation thereof is uncertain.

Deferred tax relates to:

Intangible assets and property, plant and equipment	-1,117	-1,589	0	0
Non-fixed assets	-225	471	0	0
Liabilities	0	-28	0	0
Financial instruments held to hedge future cash flows	-107	93	0	0
Tax losses carried forward	-4,168	0	-479	0
	-5,617	-1,053	-479	0

Deferred tax is recognised in the balance sheet as follows:

Deferred tax assets	-5,617	-1,053	-479	0
Deferred tax liabilities	0	0	0	0
	-5,617	-1,053	-479	0

11 Prepayments

Group

Prepayments comprise costs incurred concerning subsequent financial years.

12 Share capital

The share capital comprises:

DKK'000	2018/19	2017/18
21,238,100 pcs. at a nominal amount of DKK 1.00	21,238	21,238

Except for last year's capital increase of DKK 92 thousand and the capital increase in 2016/17 of DKK 1,146 thousand, the share capital has remained unchanged for the past five years.

Warrants

In 2016/17, an agreement was reached on a warrant programme, which is issued to the benefit of the Board of Directors and the Executive Board as well as other key employees. In the financial year 2016/17, 3,353,479 warrants were issued with different hurdle rates from 4-14% and a subscription price of 6.25 per share. In the financial year 2017/18, 138,750 warrants were issued with hurdle rates of 12% and a subscription price of 7.5 per share. In the financial year 2018/19, 405,150 warrants were repealed or sold back from key employees at the time of leaving the Vega Group. Warrants give the right to subscribe for one share per warrant. The warrants must be exercised by 31 August 2021 at the latest.

Consolidated financial statements and parent company financial statements for the period 1 July 2018 - 30 June 2019

Notes

13 Non-current liabilities other than provisions

DKK'000	Group			
	Liabilities 30 June 2019	Due within 1 year	Non-current portion	Due after 5 years
Payables to banking institutions	54,000	54,000	0	
Lease commitments	7,538	3,366	4,172	
	61,538	57,366	4,172	
Deferred income	20,898	1,881	19,017	14,457
	82,436	59,247	23,189	14,457

The Group has signed a new agreement with DnB Bank ASA on 8 July 2019. This ensures sufficient capital resources at least until 30 June 2020.

14 Deferred income

Group

Deferred income, recognised under "Liabilities", DKK 20,898 thousand (2017/18: DKK 22,874 thousand) consists of payments received from customers which cannot be recognised as revenue until in the subsequent financial year. Moreover, the item includes accrued EU grants for capital expenditure, which are recognised as other income as the fixed assets are depreciated.

15 Appropriation of profit/loss

DKK'000	Parent	
	2018/19	2017/18
Proposed distribution of profit/loss		
Reserve for net revaluation according to the equity method	-10,196	19,197
Retained earnings	-1,637	-1,498
	-11,833	17,699

16 Collateral

Group

A company charge of DKK 60,000 thousand has been provided as collateral for payables to banking institutions secured on operating equipment, goodwill, plant and machinery, inventories and trade receivables. Furthermore, plant and machinery and rolling stock (except for leased assets) in subsidiary in Germany have been provided as security. The carrying amount of the assets provided as security totalled DKK 143,474 thousand at 30 June 2019 (30 June 2018: DKK 198,162 thousand).

Land and buildings as well as machines and operating equipment have been provided as collateral for mortgage credit institutions and payables to banking institutions. The carrying amount of mortgaged land and buildings as well as machines and operating equipment totalled DKK 173,552 thousand at 30 June 2019 (30 June 2018: DKK 167,407 thousand).

Furthermore, the Group has provided a negative pledge to banking institutions.

Consolidated financial statements and parent company financial statements for the period 1 July 2018 - 30 June 2019

Notes

16 Collateral, continued

Parent

The Company has guaranteed the subsidiaries' payables to banking institutions, which include the following companies:

Vega Salmon A/S
Hörviks Rökeri 2009 AB
Vega Salmon GmbH
Vega Salmon Gebäude GmbH
Vega Salmon Vertrieb GmbH
Vega Salmon Deutschland Holding GmbH.

At 30 June 2019, liabilities totalled DKK 0 thousand (30 June 2018: DKK 0 thousand).

Shares in Vega Salmon A/S has also been provided as security for credit facilities. Furthermore, the Company has provided a negative pledge to banking institutions.

17 Contractual obligations and contingencies, etc.

Other financial liabilities

Group

The Group has entered into lease agreements under which the yearly rental expenses total DKK 233 thousand, and lease payments total DKK 1,079 thousand. The residual lease obligation totalled DKK 2,066 thousand at 30 June 2019.

Parent

The Company is jointly taxed with MIE4 Holding 1 ApS and as of 1 April 2016, the Company and the parent company hold secondary liability for 84.7% (2017/18: 83.5%) of Danish income taxes and withholding taxes, etc. within the joint taxation unit. The jointly taxed entities' total known net liabilities towards the Central Tax Administration are disclosed in the parent company financial statements. Any subsequent corrections of the joint taxation income may entail that the Company's liability will increase.

18 Foreign currency and interest rate risks and use of derivative financial instruments

The Group uses hedging instruments such as forward exchange contracts and interest and currency swaps to hedge recognised and non-recognised transactions.

Forecast transactions

The Group uses forward exchange contracts to hedge expected currency risks relating to sale and purchase of goods in the coming year:

DKK'000	Period	Contractual value		Gains and losses recognised in equity	
		2018/19	2017/18	2018/19	2017/18
Forward exchange contracts/swaps	0-6 months	115,232	23,848	-486	421

Consolidated financial statements and parent company financial statements for the period 1 July 2018 - 30 June 2019

Notes

18 Currency and interest rate risks and use of derivative financial instruments, continued

Interest rate risks

The Group uses interest rate swaps to hedge interest rate risks, whereby floating interest payments are rescheduled into fixed interest payments.

	2017/18				2018/19			
	Notional principal	Fair value	Value adjust-ment re-cogni-sed in equity	Term to maturity months	Notional principal	Value adjust-ment re-cogni-sed in equity	Fair value	Term to maturity months
DKK'000								
Interest rate swaps, EUR	52,784	-2,911	2,911	51	47,593	0	-2,459	39

The cash flows are expected to be realised and will affect results of operations over the term to maturity of the interest rate swap. The interest rate swap does not qualify for hedge accounting.

19 Related parties

Vega Sea A/S' related parties comprise the following:

Control

Maj Invest Equity 4 K/S via MIE4 Holding 1 ApS (84.7%).

Related party transactions

DKK'000	2018/19	2017/18
Group		
Dividend to shareholders	15,000	35,000
Parent		
Interest income from group entities	1,685	1,166
Interest expenses to group entities	135	0
Capital injection and warrants	-59	743
Receivables from group entities	40,965	33,298
Dividend to shareholders	15,000	35,000
Dividend from subsidiaries	15,000	15,000
Contribution grant to subsidiary	25,000	0

Remuneration/fees to members of the Executive Board and the Board of Directors of the parent company are reflected in note 4.

Consolidated financial statements and parent company financial statements for the period 1 July 2018 - 30 June 2019

Notes

20 Other

Fees to the Company's auditor appointed by the general meeting

DKK'000	Group	
	2018/19	2017/18
Total fees to EY:		
Fee for statutory audit	336	435
Tax assistance	160	249
Other assistance	74	288
	<u>570</u>	<u>972</u>

Parent

Auditor's fee regarding parent company is included in the fee information for the Group.

Management review

Management positions of the Board of Directors and the Executive Board

Vega Sea A/S' Board of Directors' and Executive Board's management positions in other companies are described below:

The Board of Directors

Søren Bach, Chairman (joined the Board of Directors in Vega Sea in 2016)

- Chairman, Message A/S, appointed in 2015
- Chairman, MH55 ApS, appointed in 2015
- Chairman, EC MES Holding ApS, appointed in 2015
- Chairman, Vega Salmon A/S, appointed in 2016
- CEO, Urbach ApS, appointed in 1975
- CEO, Bach Dental Holding ApS, appointed in 2017
- Member of the Board of Directors and CEO, Holdingselskabet Oris Tandlægerne A/S and 2 wholly-owned subsidiaries, appointed in 2017

Per Høholt, Member of the Board of Directors (joined the Board of Directors in Vega Sea in 2013)

- Member of the Board of Directors, Oreco A/S, appointed in 2015
- Member of the Board of Directors, R2 Group Invest A/S, appointed in 2018
- Member of the Board of Directors, GOOD FOOD GROUP A/S, appointed in 2019
- Member of the Board of Directors, UNWIRE HOLDING ApS, appointed in 2019
- Member of the Board of Directors, JAN IMPORT A/S, appointed in 2019
- Member of the Board of Directors, SCANDIC FOOD A/S, appointed in 2019
- Member of the Board of Directors, SCANDIC FOOD Sp z.o.o, appointed in 2019
- CEO and Member of the Board of Directors, MIE5 Datterholding 6 ApS, appointed in 2018
- CEO, MIE4 Holding 1 ApS, appointed in 2017
- CEO, LDETRE Holding 9 ApS, appointed in 2018
- CEO, LDE 3 ApS, appointed in 2018
- Chairman, Fonden LDE 3 GP, appointed in 2018
- CEO, MIE5 Holding 6 ApS, appointed in 2018

Torben Svejgård, Member of the Board of Directors (joined the Board of Directors in Vega Sea in 2016)

- Chairman, DCH International A/S, appointed in 2016
- Chairman, Premium Pork International A/S, appointed in 2016
- Member of the Board of Directors, Triplenine Group A/S, appointed in 2016
- Member of the advisory board, BHJ Food & Petfood A/S, appointed in 2015
- Member of the Board of Directors, Convert A/S, appointed in 2018
- Member of the advisory board, Aquaticode, appointed in 2019

Henning Kruse Lorentzen, Member of the Board of Directors (joined the Board of Directors in Vega Sea in 2012)

- Chairman, Crown Seafood A/S, appointed in 2014
- CEO, Loppe ApS, appointed in 2017
- Member of the Board of Directors, BPI A/S appointed in 2018
- Member of the Board of Directors, MIE5 Datterholding 6 ApS, appointed in 2019
- Member of the Board of Directors, GOOD FOOD GROUP A/S, appointed in 2019

The Executive Board

Michael Budtz Berthelsen, Managing Director, appointed in 2015

- CEO, Budtz Dedication ApS, appointed in 2013
- CEO, Underwood Holding ApS, appointed in 2016
- CEO and Member of the Board of Directors, VEGA SALMON A/S, appointed in 2015

Jakob Graasbøll Enemark, CFO, appointed in 2017

- CEO, Sestri Invest ApS, appointed in 2017
- Member of the Board of Directors, Skorstensgaard Danmark A/S, appointed in 2018

Maj Invest Equity 4 K/S has appointed all members of the Board of Directors. The Board of Directors possesses 2.6% of the share capital in Vega Sea A/S.

Directly and indirectly, the Executive Board owns 12.1% of the share capital in Vega Sea A/S.