
AB Neo A/S

Skjernvej 42, Trøstrup, DK-6920 Videbæk

Annual Report for 1 September 2020 - 31 August 2021

CVR No 37 40 42 41

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
21/12 2021

Jakob Østervang
Chairman of the General
Meeting

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of AB Neo A/S for the financial year 1 September 2020 - 31 August 2021.

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 August 2021 of the Company and of the results of the Company operations and cash flows for 2020/21.

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.

Videbæk, 21 December 2021

Executive Board

Dennis Jørgensen
Executive Officer

Board of Directors

Scott Michael Gurvis
Chairman

José Jorge Nobre
Deputy Chairman

Jakob Østervang

Independent Auditor's Report

To the Shareholder of AB Neo A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 August 2021 and of the results of the Company's operations and cash flows for the financial year 1 September 2020 - 31 August 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of AB Neo A/S for the financial year 1 September 2020 - 31 August 2021, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

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

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the

Independent Auditor's Report

going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

Independent Auditor's Report

ternal control that we identify during our audit.

Herning, 21 December 2021

EY Godkendt Revisionspartnerselskab

CVR No 30 70 02 28

Karsten Mehlsen

State Authorised Public Accountant

mne18473

Company Information

The Company

AB Neo A/S
Skjernvej 42
Trøstrup
DK-6920 Videbæk

Telephone: + 45 97 17 33 00

Website: www.ab-neo.com

CVR No: 37 40 42 41

Financial period: 1 September - 31 August

Incorporated: 22 January 2016

Municipality of reg. office: Ringkøbing-Skjern

Secondary business name: Agilia A/S & Agro Korn A/S

Board of Directors

Scott Michael Gurvis, Chairman

José Jorge Nobre

Jakob Østervang

Executive Board

Dennis Jørgensen

Auditors

EY Godkendt Revisionspartnerselskab

Dalgasgade 27, 3. sal

DK-7400 Herning

Financial Highlights

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

	2020/21 TDKK	2019/20 TDKK	2018/19 TDKK	2017/18 TDKK	2016/17 TDKK
Key figures					
Profit/loss					
Operating profit/loss	13,518	27,196	14,147	16,177	4,604
Profit/loss before financial income and expenses	13,632	27,201	14,154	16,241	4,632
Net financials	-86	-16	24	-106	-9
Net profit/loss for the year	10,547	21,207	11,047	12,567	3,595
Balance sheet					
Balance sheet total	159,563	151,513	125,893	97,749	85,707
Equity	115,408	104,864	83,696	72,649	60,082
Cash flows					
Cash flows from:					
- operating activities	-6,174	35,153	4,201	9,018	8,762
- investing activities	-6,316	-18,243	-21,139	-2,188	-1,655
including investment in property, plant and equipment	-6,430	-18,355	-21,321	-2,319	-1,785
- financing activities	158	-4,973	12,264	-10,170	-2,029
Change in cash and cash equivalents for the year	-12,333	11,937	-4,674	-3,340	5,078
Number of employees	61	51	46	38	31
Ratios					
Return on assets	8.5%	18.0%	11.2%	16.6%	5.4%
Solvency ratio	72.3%	69.2%	66.5%	74.3%	70.1%
Return on equity	9.6%	22.5%	14.1%	18.9%	6.2%

Management's Review

Key activities

The company's business activities consist of production and sale of high-end quality feed products for young and sensitive animals.

Development in the year

The income statement of the Company for 2020/21 shows a profit of DKK 10,546,839, and at 31 August 2021 the balance sheet of the Company shows equity of DKK 115,407,541.

We have had a good momentum and sales growth for our key products in core export markets. Our result has been negatively affected by the close down of the Danish mink industry, the increased sea freight costs and the difficult market situation for pig farmers in Europe. At the same time the company has continued to invest in people and products for further growth, and Covid-19 has delayed sales on new market.

Special risks

The company has no special risks apart from normal business risk in feed industry. The company continuously works on eliminating risks and heightened quality standards and meet the criteria of the feed safety standard GMP+.

External environment

The company has no special impact on external environment. The company is committed to work on optimizing and reducing impact on the external environment.

Outlook and expectations

For the coming financial year 2021/22 the company expects sales growth, and higher earnings compared to financial year 2020/21.

The Company will continue to invest in production facilities, product development and technologies for future growth.

Subsequent events

No other significant events have occurred subsequent to the financial year-end.

Income Statement 1 September - 31 August

	Note	2020/21 DKK	2019/20 DKK
Gross profit/loss		57,224,677	64,481,535
Staff expenses	1	-34,971,977	-29,054,560
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-8,620,310	-8,225,734
Profit/loss before financial income and expenses		13,632,390	27,201,241
Financial income		0	4,926
Financial expenses	3	-85,857	-20,456
Profit/loss before tax		13,546,533	27,185,711
Tax on profit/loss for the year	4	-2,999,694	-5,978,748
Net profit/loss for the year		10,546,839	21,206,963

Balance Sheet 31 August

Assets

	Note	2021 DKK	2020 DKK
Other intangible assets		5,079,166	6,229,166
Goodwill		7,007,314	8,593,875
Intangible assets	5	12,086,480	14,823,041
Land and buildings		37,928,129	37,449,055
Plant and machinery		612,002	702,039
Other fixtures and fittings, tools and equipment		6,619,225	6,462,093
Property, plant and equipment	6	45,159,356	44,613,187
Fixed assets		57,245,836	59,436,228
Inventories	7	49,224,192	43,921,102
Trade receivables		22,187,318	23,784,341
Receivables from group enterprises		21,151,441	4,596,300
Other receivables		2,803,402	527,208
Prepayments	8	765,733	729,613
Receivables		46,907,894	29,637,462
Cash at bank and in hand		6,185,316	18,517,939
Currents assets		102,317,402	92,076,503
Assets		159,563,238	151,512,731

Balance Sheet 31 August

Liabilities and equity

	Note	2021 DKK	2020 DKK
Share capital	9	500,000	500,000
Reserve for hedging transactions		-3,069	0
Retained earnings		114,910,610	104,363,771
Equity		115,407,541	104,863,771
Provision for deferred tax	11	1,843,248	1,393,350
Provisions		1,843,248	1,393,350
Lease obligations		7,455,687	8,612,126
Long-term debt	12	7,455,687	8,612,126
Lease obligations	12	3,490,000	2,970,000
Trade payables		25,223,791	20,626,911
Payables to group enterprises		991,591	197,500
Corporation tax		2,009,657	5,451,424
Other payables		3,141,723	7,397,649
Short-term debt		34,856,762	36,643,484
Debt		42,312,449	45,255,610
Liabilities and equity		159,563,238	151,512,731
Distribution of profit	10		
Contingent assets, liabilities and other financial obligations	15		
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Statement of Changes in Equity

	Share capital	Reserve for hedging transactions	Retained earnings	Total
	<u>DKK</u>	<u>DKK</u>	<u>DKK</u>	<u>DKK</u>
Equity at 1 September	500,000	0	104,363,771	104,863,771
Fair value adjustment of hedging instruments, end of year	0	-3,935	0	-3,935
Tax on adjustment of hedging instruments for the year	0	866	0	866
Net profit/loss for the year	0	0	10,546,839	10,546,839
Equity at 31 August	<u>500,000</u>	<u>-3,069</u>	<u>114,910,610</u>	<u>115,407,541</u>

Cash Flow Statement 1 September - 31 August

	Note	2020/21 DKK	2019/20 DKK
Net profit/loss for the year		10,546,839	21,206,963
Adjustments	13	11,591,961	14,215,012
Change in working capital	14	-22,236,506	3,065,810
Cash flows from operating activities before financial income and expenses		-97,706	38,487,785
Financial income		0	4,926
Financial expenses		-85,854	-20,464
Cash flows from ordinary activities		-183,560	38,472,247
Corporation tax paid		-5,990,697	-3,319,000
Cash flows from operating activities		-6,174,257	35,153,247
Purchase of property, plant and equipment		-6,429,919	-18,354,529
Sale of property, plant and equipment		113,900	112,000
Cash flows from investing activities		-6,316,019	-18,242,529
Reduction of lease obligations		-4,053,439	-2,767,000
Repayment of payables to group enterprises		794,092	-12,348,431
Lease obligations incurred		3,417,000	10,142,126
Cash flows from financing activities		157,653	-4,973,305
Change in cash and cash equivalents		-12,332,623	11,937,413
Cash and cash equivalents at 1 September		18,517,939	6,580,526
Cash and cash equivalents at 31 August		6,185,316	18,517,939
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		6,185,316	18,517,939
Cash and cash equivalents at 31 August		6,185,316	18,517,939

Notes to the Financial Statements

	2020/21	2019/20
	DKK	DKK
1 Staff expenses		
Wages and salaries	32,133,624	27,126,679
Pensions	2,252,435	1,527,081
Other social security expenses	585,918	400,800
	34,971,977	29,054,560
Average number of employees	61	51
2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Amortisation of intangible assets	2,736,561	2,736,561
Depreciation of property, plant and equipment	5,883,749	5,489,173
	8,620,310	8,225,734
3 Financial expenses		
Interest paid to group enterprises	5,392	-21,806
Other financial expenses	80,465	42,262
	85,857	20,456
4 Tax on profit/loss for the year		
Current tax for the year	2,501,036	5,734,884
Deferred tax for the year	450,764	243,864
Adjustment of tax concerning previous years	47,894	0
	2,999,694	5,978,748

Notes to the Financial Statements

5 Intangible assets

	Other intangible assets	Goodwill	Total
	<u>DKK</u>	<u>DKK</u>	<u>DKK</u>
Cost at 1 September	14,500,000	15,865,613	30,365,613
Cost at 31 August	<u>14,500,000</u>	<u>15,865,613</u>	<u>30,365,613</u>
Impairment losses and amortisation at 1 September	8,270,834	7,271,738	15,542,572
Amortisation for the year	<u>1,150,000</u>	<u>1,586,561</u>	<u>2,736,561</u>
Impairment losses and amortisation at 31 August	<u>9,420,834</u>	<u>8,858,299</u>	<u>18,279,133</u>
Carrying amount at 31 August	<u>5,079,166</u>	<u>7,007,314</u>	<u>12,086,480</u>
Amortised over	<u>2-10 years</u>	<u>10 years</u>	

Notes to the Financial Statements

6 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Total
	DKK	DKK	DKK	DKK
Cost at 1 September	41,828,229	6,100,506	11,164,513	59,093,248
Additions for the year	3,917,579	209,055	2,438,800	6,565,434
Disposals for the year	-951,970	0	-372,967	-1,324,937
Cost at 31 August	<u>44,793,838</u>	<u>6,309,561</u>	<u>13,230,346</u>	<u>64,333,745</u>
Impairment losses and depreciation at 1 September	4,655,090	5,396,962	4,563,525	14,615,577
Depreciation for the year	3,162,589	300,597	2,420,563	5,883,749
Impairment and depreciation of sold assets for the year	-951,970	0	-372,967	-1,324,937
Impairment losses and depreciation at 31 August	<u>6,865,709</u>	<u>5,697,559</u>	<u>6,611,121</u>	<u>19,174,389</u>
Carrying amount at 31 August	<u>37,928,129</u>	<u>612,002</u>	<u>6,619,225</u>	<u>45,159,356</u>
Depreciated over	<u>5-50 years</u>	<u>5-12 years</u>	<u>3-12 years</u>	
Including assets under finance leases amounting to	<u>7,752,308</u>	<u>0</u>	<u>3,055,215</u>	<u>10,807,523</u>

Notes to the Financial Statements

	2021 DKK	2020 DKK
7 Inventories		
Raw materials and consumables	31,594,193	28,014,676
Finished goods and goods for resale	17,629,999	15,906,426
	49,224,192	43,921,102

8 Prepayments

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

9 Equity

The share capital consists of 500,000 shares of a nominal value of DKK 1. No shares carry any special rights.

	2020/21 DKK	2019/20 DKK
10 Distribution of profit		
Retained earnings	10,546,839	21,206,963
	10,546,839	21,206,963

	2021 DKK	2020 DKK
11 Provision for deferred tax		
Provision for deferred tax at 1 September	1,393,350	1,133,486
Amounts recognised in the income statement for the year	450,764	243,864
Amounts recognised in equity for the year	-866	16,000
Provision for deferred tax at 31 August	1,843,248	1,393,350

Notes to the Financial Statements

12 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	<u>2021</u> DKK	<u>2020</u> DKK
Lease obligations		
Between 1 and 5 years	7,455,687	8,612,126
Long-term part	7,455,687	8,612,126
Within 1 year	3,490,000	2,970,000
	<u>10,945,687</u>	<u>11,582,126</u>

13 Cash flow statement - adjustments

Financial income	0	-4,926
Financial expenses	85,857	20,456
Depreciation, amortisation and impairment losses, including losses and gains on sales	8,506,410	8,220,734
Tax on profit/loss for the year	2,999,694	5,978,748
	<u>11,591,961</u>	<u>14,215,012</u>

14 Cash flow statement - change in working capital

Change in inventories	-5,303,093	-995,219
Change in receivables	-17,270,432	1,479,841
Change in trade payables, etc	340,954	2,581,188
Fair value adjustments of hedging instruments	-3,935	0
	<u>-22,236,506</u>	<u>3,065,810</u>

15 Contingent assets, liabilities and other financial obligations

Contingent liabilities

The company has concluded regular forward purchase contracts for raw materials.

Notes to the Financial Statements

16 Related parties

	<u>Basis</u>
Controlling interest	
Associated British Foods Plc, London.	Participating interest

Ownership

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

ABF Overseas Limited, London.

Consolidated Financial Statements

The company is included in the group annual report of the parent company.

<u>Name</u>	<u>Place of registered office</u>
Associated British Foods Plc, London.	No. 293262 at Weston Centre, 10 Grosvenor Street, London W1K 4QY

Notes to the Financial Statements

17 Accounting Policies

The Annual Report of AB Neo A/S for 2020/21 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2020/21 are presented in DKK. The company has adjusted opening values within note 6 for Property, plant and equipment. The adjustment is correcting last financial year change of accounting for finance leases. Cost 1st September are increased by DKK 2,5M and depreciations 1st September are increased by 2,6M. The net effect DKK 0,1M is offset against finance lease liabilities. The adjustment has no effect on last year result or equity.

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

17 Accounting Policies (continued)

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

Notes to the Financial Statements

17 Accounting Policies (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Translation policies

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

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

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

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Notes to the Financial Statements

17 Accounting Policies (continued)

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

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.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries.

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

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

Financial income and expenses

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

Notes to the Financial Statements

17 Accounting Policies (continued)

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

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 10 years.

Other intangible assets acquired is measured at cost less accumulated amortisation. Know-how and brand is amortised on a straight-line basis over its useful life, which is assessed at 2-10 years.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

Useful life of intangible assets are based on history and strategic expectations for the future.

Property, plant and equipment

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

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

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

Buildings	5-50 years
Plant and machinery	5-12 years
Other fixtures and fittings, tools and equipment	3-12 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Notes to the Financial Statements

17 Accounting Policies (continued)

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 of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

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

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

Receivables

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

Prepayments

Prepayments comprise prepaid expenses concerning insurance premiums, subscriptions etc.

Deferred tax assets and liabilities

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

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

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legisla-

Notes to the Financial Statements

17 Accounting Policies (continued)

tion at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

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

Financial debts

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

Cash Flow Statement

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

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

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

Cash flows from financing activities

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

Cash and cash equivalents

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

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

Notes to the Financial Statements

17 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$