
AB Neo A/S

Skjernvej 42, DK-6920 Videbæk

Annual Report for 1 September 2021 - 31 August 2022

CVR No. 37 40 42 41

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company 11 January 2023

DocuSigned by:



Ole Nørgaard
Chairman of the
general meeting

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Management's statement

The Executive Board and Board of Directors have today considered and adopted the Financial Statements of AB Neo A/S for the financial year 1 September 2021 - 31 August 2022.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 August 2022 of the Company and of the results of the Company operations and cash flows for 2021/22.

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

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

Videbæk, 21-12-2022 | 12:36:51 GMT

Executive Board

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Dennis Jørgensen
Executive Officer

Board of Directors

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Scott Michael Gurvis
Chairman

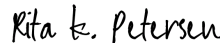
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José Jorge Nobre

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Rita Petersen

Independent Auditor's report

To the shareholder of AB Neo A/S

Opinion

We have audited the Financial Statements of AB Neo A/S for the financial year 1 September 2021 - 31 August 2022, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The Financial Statements are 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 of the Company at 31 August 2022 and of the results of the Company's operations and cash flows for the financial year 1 September 2021 - 31 August 2022 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the Financial Statements

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

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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.

Independent Auditor's report

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

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.

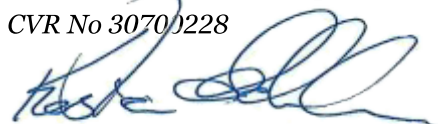
Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Herning, 22-12-2022

EY Godkendt Revisionspartnerselskab

Statsautoriseret Revisionspartnerselskab

CVR No 30700228



Karsten Mehlsen

statsautoriseret revisor

mne18473

Company information

The Company

AB Neo A/S
Skjernvej 42
DK-6920 Videbæk

Telephone: + 45 97 17 33 00

Website: www.ab-neo.com

CVR No: 37 40 42 41

Financial period: 1 September 2021 - 31 August 2022

Incorporated: 22 January 2016

Municipality of reg. office: Ringkøbing-Skjern

Board of Directors

Scott Michael Gurvis, chairman
José Jorge Nobre
Rita Petersen

Executive board

Dennis Jørgensen

Auditors

EY Godkendt Revisionspartnerselskab
Statsautoriseret Revisionspartnerselskab
Dalgasgade 27, 3
7400 Herning

Financial Highlights

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

	2021/22	2020/21	2019/20	2018/19	2017/18
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	327,900	320,573	0	0	0
Profit/loss of ordinary primary operations	1,977	13,518	27,196	14,147	16,177
Profit/loss before financial income and expenses	2,054	13,632	27,201	14,154	16,241
Profit/loss of financial income and expenses	-55	-86	-16	24	-106
Net profit/loss	1,617	10,547	21,207	11,047	12,567
Balance sheet					
Balance sheet total	241,377	159,563	151,513	125,893	97,749
Equity	199,117	115,408	104,864	83,696	72,649
Cash flows					
Cash flows from:					
- operating activities	-23,601	-6,174	35,153	4,201	9,018
- investing activities	-33,242	-6,316	-18,243	-21,139	-2,188
- financing activities	62,127	158	-4,973	12,264	-10,170
Change in cash and cash equivalents for the year	5,284	-12,332	11,937	-4,674	-3,340
Number of employees	58	61	51	46	38
Ratios					
Return on assets	0.9%	8.5%	18.0%	11.2%	16.6%
Solvency ratio	82.5%	72.3%	69.2%	66.5%	74.3%
Return on equity	1.0%	9.6%	22.5%	14.1%	18.9%

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 2021/22 shows a profit of DKK 1,616,590, and at 31 August 2022 the balance sheet of the Company shows positive equity of DKK 199,117,243.

Operating profit in budget 2021/22: TDKK 27.797. On this basis, the management finds the net profit of the year of TDKK 1.617 unsatisfying.

Special risks - operating risks and financial risks

The company has no special risks apart from normal business risk in feed industry. The company continuously works on elimination 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

Management expects for the a increase in revenue in next financial year of 24,5%.

Statement of corporate social responsibility

The company is a subsidiary of a larger Group, and do not have specifics policies in the areas of environment, climate, human rights, social and employee relations and anti-corruption. The company follow local rules and regulation in all these areas, and have not deemed it necessary with additional policies.

Data ethics

The Company handles general data in the form of customer, supplier and employee data. Data is processed in accordance with the GDPR and our privacy and information security policies. As the Company primarily sells B2B and has extremely limited processing of personally sensitive data, the Company's assessment is that there is no need for a policy for data ethics. The Company will continuously assess whether a policy is necessary.

Statement on gender composition

The company has a target of a minimum of 50% female members elected at the annual general meeting. Since there are only 3 board members, this is fulfilled with a female board member as current.

The company also has a policy of increasing the proportion of the underrepresented gender, which includes all management levels in the company. The management in 2021/22 consists of 25% woman, and the company has an ambition of 50% over time, if the right professional skills are found.

Subsequent events

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

Income statement 1 September 2021 - 31 August 2022

	Note	2021/22	2020/21
		DKK	DKK
Revenue	1	327,899,634	320,573,103
Other operating income		76,600	113,900
Expenses for raw materials and consumables		-253,935,256	-240,394,604
Other external expenses		-28,410,158	-23,067,722
Gross profit		45,630,820	57,224,677
Staff expenses	2	-34,829,581	-34,971,977
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	3	-8,747,134	-8,620,310
Profit/loss before financial income and expenses		2,054,105	13,632,390
Financial income	4	6,296	0
Financial expenses	5	-60,872	-85,857
Profit/loss before tax		1,999,529	13,546,533
Tax on profit/loss for the year	6	-382,939	-2,999,694
Net profit/loss for the year	7	1,616,590	10,546,839

Balance sheet 31 August 2022

Assets

	Note	2021/22 DKK	2020/21 DKK
Acquired other similar rights		3,929,166	5,079,166
Goodwill		5,420,753	7,007,314
Intangible assets	8	9,349,919	12,086,480
Land and buildings		37,613,058	37,928,129
Plant and machinery		542,777	612,002
Other fixtures and fittings, tools and equipment		6,185,155	6,619,225
Property, plant and equipment in progress		28,126,004	0
Property, plant and equipment	9	72,466,994	45,159,356
Fixed assets		81,816,913	57,245,836
Inventories	10	72,763,728	49,224,192
Trade receivables		26,800,337	22,187,318
Receivables from group enterprises		46,948,593	21,151,441
Other receivables		637,952	2,803,402
Corporation tax		44,192	0
Prepayments	11	894,656	765,733
Receivables		75,325,730	46,907,894
Cash at bank and in hand		11,470,182	6,185,316
Current assets		159,559,640	102,317,402
Assets		241,376,553	159,563,238

Balance sheet 31 August 2022

Liabilities and equity

	Note	2021/22 DKK	2020/21 DKK
Share capital	12	1,000,000	500,000
Reserve for hedging transactions		90,043	-3,069
Retained earnings		198,027,200	114,910,610
Equity		199,117,243	115,407,541
Provision for deferred tax	13	2,226,187	1,843,248
Provisions		2,226,187	1,843,248
Lease obligations		7,530,466	7,455,687
Long-term debt		7,530,466	7,455,687
Lease obligations	14	3,788,271	3,490,000
Trade payables		18,328,673	25,223,791
Payables to group enterprises		6,542,873	991,591
Corporation tax		0	2,009,657
Other payables		3,842,840	3,141,723
Short-term debt		32,502,657	34,856,762
Debt		40,033,123	42,312,449
Liabilities and equity		241,376,553	159,563,238
Contingent assets, liabilities and other financial obligations	17		
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Statement of changes in equity

	Share capital	Share premium account	Reserve for hedging transactions	Retained earnings	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 September	500,000	0	-3,069	114,910,610	115,407,541
Capital increase	500,000	81,500,000	0	0	82,000,000
Fair value adjustment of hedging instruments, end of year	0	0	93,112	0	93,112
Net profit/loss for the year	0	0	0	1,616,590	1,616,590
Transfer from share premium account	0	-81,500,000	0	81,500,000	0
Equity at 31 August	1,000,000	0	90,043	198,027,200	199,117,243

Cash flow statement 1 September 2021 - 31 August 2022

	Note	2021/22 DKK	2020/21 DKK
Result of the year		1,616,590	10,546,839
Adjustments	15	9,108,049	11,591,961
Change in working capital	16	-32,216,917	-22,236,506
Cash flow from operations before financial items		-21,492,278	-97,706
Financial income		6,296	0
Financial expenses		-60,872	-85,854
Cash flows from ordinary activities		-21,546,854	-183,560
Corporation tax paid		-2,053,849	-5,990,697
Cash flows from operating activities		-23,600,703	-6,174,257
Purchase of property, plant and equipment		-33,318,211	-6,429,919
Sale of property, plant and equipment		76,600	113,900
Cash flows from investing activities		-33,241,611	-6,316,019
Reduction of lease obligations		-3,689,814	-4,053,439
Repayment of payables to group enterprises		-20,245,870	794,092
Lease obligations incurred		4,062,864	3,417,000
Raising of payables to group enterprises		0	0
Cash capital increase		82,000,000	0
Cash flows from financing activities		62,127,180	157,653
Change in cash and cash equivalents		5,284,866	-12,332,623
Cash and cash equivalents at 1 September		6,185,316	18,517,939
Cash and cash equivalents at 31 August		11,470,182	6,185,316
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		11,470,182	6,185,316
Cash and cash equivalents at 31 August		11,470,182	6,185,316

Notes to the Financial Statements

	<u>2021/22</u>	<u>2020/21</u>
	DKK	DKK
1. Revenue		
Geographical segments		
Market	327,899,634	320,573,103
	<u>327,899,634</u>	<u>320,573,103</u>
Activity	327,899,634	320,573,103
	<u>327,899,634</u>	<u>320,573,103</u>
	<u>2021/22</u>	<u>2020/21</u>
	DKK	DKK
2. Staff Expenses		
Wages and salaries	31,785,147	32,133,624
Pensions	2,457,176	2,252,435
Other social security expenses	587,258	585,918
	<u>34,829,581</u>	<u>34,971,977</u>
Average number of employees	<u>58</u>	<u>61</u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

	<u>2021/22</u>	<u>2020/21</u>
	DKK	DKK
3. Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		
Amortisation of intangible assets	2,736,561	2,736,561
Depreciation of property, plant and equipment	6,010,573	5,883,749
	<u>8,747,134</u>	<u>8,620,310</u>

Notes to the Financial Statements

	<u>2021/22</u>	<u>2020/21</u>
	DKK	DKK
4. Financial income		
Interest received from group enterprises	2,831	0
Other financial income	3,465	0
	<u>6,296</u>	<u>0</u>

	<u>2021/22</u>	<u>2020/21</u>
	DKK	DKK
5. Financial expenses		
Interest paid to group enterprises	13,872	5,392
Other financial expenses	47,000	80,465
	<u>60,872</u>	<u>85,857</u>

	<u>2021/22</u>	<u>2020/21</u>
	DKK	DKK
6. Income tax expense		
Current tax for the year	0	2,501,036
Deferred tax for the year	382,939	450,764
Adjustment of tax concerning previous years	0	47,894
	<u>382,939</u>	<u>2,999,694</u>

	<u>2021/22</u>	<u>2020/21</u>
	DKK	DKK
7. Profit allocation		
Retained earnings	1,616,590	10,546,839
	<u>1,616,590</u>	<u>10,546,839</u>

Notes to the Financial Statements

8. Intangible fixed assets

	Acquired other similar rights	Goodwill
	DKK	DKK
Cost at 1 September	14,500,000	15,865,613
Cost at 31 August	14,500,000	15,865,613
Impairment losses and amortisation at 1 September	9,420,834	8,858,299
Amortisation for the year	1,150,000	1,586,561
Impairment losses and amortisation at 31 August	10,570,834	10,444,860
Carrying amount at 31 August	3,929,166	5,420,753
Amortised over	2-10 years	10 years

9. Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress
	DKK	DKK	DKK	DKK
Cost at 1 September	44,793,838	6,309,561	13,230,346	0
Additions for the year	2,988,783	213,170	1,990,254	28,126,004
Disposals for the year	-2,550,007	0	-2,092,315	0
Cost at 31 August	45,232,614	6,522,731	13,128,285	28,126,004
Impairment losses and depreciation at 1 September	6,865,709	5,697,559	6,611,121	0
Depreciation for the year	3,303,854	282,395	2,424,324	0
Reversal of impairment and depreciation of sold assets	-2,550,007	0	-2,092,315	0
Impairment losses and depreciation at 31 August	7,619,556	5,979,954	6,943,130	0
Carrying amount at 31 August	37,613,058	542,777	6,185,155	28,126,004
Amortised over	5-50 years	5-12 years	3-12 years	
Including assets under finance leases amounting to	8,111,015	0	3,084,615	0

Notes to the Financial Statements

	<u>2021/22</u>	<u>2020/21</u>
	DKK	DKK
10. Inventories		
Raw materials and consumables	47,862,647	31,594,193
Finished goods and goods for resale	<u>24,901,081</u>	<u>17,629,999</u>
	<u>72,763,728</u>	<u>49,224,192</u>

11. Prepayments

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

12. Share capital

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

	<u>2021/22</u>	<u>2020/21</u>
	DKK	DKK
13. Provision for deferred tax		
Deferred tax liabilities at 1 September	1,843,248	1,393,350
Amounts recognised in the income statement for the year	382,939	450,764
Amounts recognised in equity for the year	<u>0</u>	<u>-866</u>
Deferred tax liabilities at 31 August	<u>2,226,187</u>	<u>1,843,248</u>

Notes to the Financial Statements

14. 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>2021/22</u>	<u>2020/21</u>
	DKK	DKK
Lease obligations		
After 5 years	0	0
Between 1 and 5 years	7,530,466	7,455,687
Long-term part	7,530,466	7,455,687
Within 1 year	3,788,271	3,490,000
	<u>11,318,737</u>	<u>10,945,687</u>

	<u>2021/22</u>	<u>2020/21</u>
	DKK	DKK
15. Cash flow statement - Adjustments		
Financial income	-6,296	0
Financial expenses	60,872	85,857
Depreciation, amortisation and impairment losses, including losses and gains on sales	8,670,534	8,506,410
Tax on profit/loss for the year	382,939	2,999,694
	<u>9,108,049</u>	<u>11,591,961</u>

	<u>2021/22</u>	<u>2020/21</u>
	DKK	DKK
16. Cash flow statement - Change in working capital		
Change in inventories	-23,539,536	-5,303,093
Change in receivables	-2,576,492	-17,270,432
Change in trade payables, etc	-6,194,001	340,954
Fair value adjustments of hedging instruments	93,112	-3,935
	<u>-32,216,917</u>	<u>-22,236,506</u>

Notes to the Financial Statements

17. Contingent assets, liabilities and other financial obligations

Contingent liabilities

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

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable by the Group amounts to DKK 0. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Group's liability.

18. Related parties and disclosure of consolidated financial statements

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

Transactions

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

The sale of goods to associates, has been effected at arm's length.

Ownership

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

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

19. Fee to auditors appointed at the general meeting

EY Godkendt Revisionspartnerselskab

Audit fee	115,000	87,000
	<u>115,000</u>	<u>87,000</u>

Notes to the Financial Statements

20. Subsequent events

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

Notes to the Financial Statements

21. Accounting policies

The Annual Report of AB Neo A/S for 2021/22 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2021/22 are presented in DKK.

Recognition and measurement

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

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

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

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

Leases

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.

Notes to the Financial Statements

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.

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

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

Derivative financial instruments

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

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

Notes to the Financial Statements

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.

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.

Segment information on revenue

Information on business segments and geographical segments is based on the Company's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income statement

Net sales

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

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

Expenses for raw materials and consumables

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

Other external expenses

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

Gross profit

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.

Notes to the Financial Statements

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.

Tax on profit/loss for the year

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

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

Balance sheet

Intangible fixed assets

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 year.

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

Impairment of fixed assets

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

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 and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

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

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

Current tax receivables and liabilities

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

Financial debts

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

Cash Flow Statement

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

Notes to the Financial Statements

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

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

Cash and cash equivalents

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

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

Financial Highlights

Explanation of financial ratios

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