

---

# ***Agro Korn A/S***

Skjernvej 42, Trøstrup, DK-6920 Videbæk

## **Annual Report for 1 September 2018 - 31 August 2019**

---

CVR No 37 40 42 41

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
7 /2 2020

Jakob Østervang  
Chairman of the General  
Meeting

# Contents

	<u>Page</u>
<b>Management's Statement and Auditor's Report</b>	
Management's Statement	1
Independent Auditor's Report	2
<b>Management's Review</b>	
Company Information	5
Financial Highlights	6
Management's Review	7
<b>Financial Statements</b>	
Income Statement 1 September - 31 August	8
Balance Sheet 31 August	9
Statement of Changes in Equity	11
Cash Flow Statement 1 September - 31 August	12
Notes to the Financial Statements	13

# **Management's Statement**

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Agro Korn A/S for the financial year 1 September 2018 - 31 August 2019.

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 2019 of the Company and of the results of the Company operations and cash flows for 2018/19.

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, 7 February 2020

## **Executive Board**

José Jorge Nobre

## **Board of Directors**

Scott Michael Gurvis  
Chairman

José Jorge Nobre

Jakob Østervang

# **Independent Auditor's Report**

To the Shareholder of Agro Korn A/S

## **Opinion**

We have audited the financial statements of Agro Korn A/S for the financial year 1 September – 31 August 2019, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including 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 2019 and of the results of the Company's operations and cash flows for the financial year 1 September – 31 August 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 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 Company 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 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 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 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 note 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 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 Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

## **Independent Auditor's Report**

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

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.

Herning, 7 February 2020

**ERNST & YOUNG**

Godkendt Revisionspartnerselskab

*CVR No 30 70 02 28*

Karsten Mehlsen

State Authorised Public Accountant

mne18473

## Company Information

### The Company

Agro Korn A/S  
Skjernvej 42  
Trøstrup  
DK-6920 Videbæk

Telephone: + 45 97 17 33 00  
Website: [www.agliaglobal.com](http://www.agliaglobal.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

### Board of Directors

Scott Michael Gurvis, Chairman  
José Jorge Nobre  
Jakob Østervang

### Executive Board

José Jorge Nobre

### Auditors

ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
Industrivej Nord 9  
DK-7400 Herning

## Financial Highlights

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

	2018/19	2017/18	2016/17	2016
	TDKK	TDKK	TDKK	TDKK (7 months)
<b>Key figures</b>				
<b>Profit/loss</b>				
Operating profit/loss	14,147	16,177	4,604	1,270
Profit/loss before financial income and expenses	14,154	16,241	4,632	1,270
Net financials	24	-106	-9	0
Net profit/loss for the year	11,047	12,567	3,595	987
<b>Balance sheet</b>				
Balance sheet total	125,893	97,749	85,707	76,415
Equity	83,696	72,649	60,082	56,487
<b>Cash flows</b>				
Cash flows from:				
- operating activities	4,201	9,018	8,762	-9,886
- investing activities	-21,139	-2,188	-1,655	-40,757
including investment in property, plant and equipment	-21,321	-2,319	-1,785	-10,391
- financing activities	12,264	-10,170	-2,029	4,660
Change in cash and cash equivalents for the year	-4,674	-3,340	5,078	-45,983
Number of employees	46	38	31	23
<b>Ratios</b>				
Return on assets	11.2%	16.6%	5.4%	1.7%
Solvency ratio	66.5%	74.3%	70.1%	73.9%
Return on equity	14.1%	18.9%	6.2%	1.8%

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



# **Management's Review**

## **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 2018/19 shows a profit of DKK 11,046,512, and at 31 August 2019 the balance sheet of the Company shows equity of DKK 83,695,808.

Management considers the company's performance in the financial year for satisfactory.

Agro Korn A/S has registered Agilia A/S as an official secondary business name, and have started to appear and trade as Agilia A/S.

Agilia core brands AlphaSoy and DanMilk have again this year performed really well on all parameters. The volume has increased on existing markets and products. New markets and further development of the product portfolio has also contributed to this years performance.

Our products are continuing showing very good results in young animal production. We have a great momentum selling added value, along with creating strong and lasting partnerships with our customers.

## **Special 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.

## **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 2019/20 the company expects sales growth and improved earnings compared to financial year 2018/19.

## **Subsequent events**

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

## Income Statement 1 September - 31 August

	<u>Note</u>	<u>2018/19</u> DKK	<u>2017/18</u> DKK
<b>Gross profit/loss</b>		<b>44,619,542</b>	<b>41,762,429</b>
Staff expenses	1	-25,339,879	-20,041,840
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	<u>-5,126,097</u>	<u>-5,479,462</u>
<b>Profit/loss before financial income and expenses</b>		<b>14,153,566</b>	<b>16,241,127</b>
Financial income		69,468	1,013
Financial expenses	3	<u>-45,596</u>	<u>-106,927</u>
<b>Profit/loss before tax</b>		<b>14,177,438</b>	<b>16,135,213</b>
Tax on profit/loss for the year	4	<u>-3,130,926</u>	<u>-3,567,853</u>
<b>Net profit/loss for the year</b>		<b><u>11,046,512</u></b>	<b><u>12,567,360</u></b>

## Distribution of profit

### Proposed distribution of profit

Retained earnings	<u>11,046,512</u>	<u>12,567,360</u>
	<b><u>11,046,512</u></b>	<b><u>12,567,360</u></b>

## Balance Sheet 31 August

### Assets

	Note	2019 DKK	2018 DKK
Other intangible assets		7,379,166	8,529,166
Goodwill		10,180,436	11,766,997
<b>Intangible assets</b>	5	<b>17,559,602</b>	<b>20,296,163</b>
Land and buildings		4,666,293	4,936,783
Plant and machinery		1,765,877	2,527,378
Other fixtures and fittings, tools and equipment		1,216,304	1,450,360
Property, plant and equipment in progress		20,022,355	0
<b>Property, plant and equipment</b>	6	<b>27,670,829</b>	<b>8,914,521</b>
<b>Fixed assets</b>		<b>45,230,431</b>	<b>29,210,684</b>
<b>Inventories</b>	7	<b>42,925,879</b>	<b>29,452,285</b>
Trade receivables		29,018,195	18,111,409
Receivables from group enterprises		434,000	7,953,878
Other receivables		928,324	889,296
Prepayments	8	775,784	877,386
<b>Receivables</b>		<b>31,156,303</b>	<b>27,831,969</b>
<b>Cash at bank and in hand</b>		<b>6,580,526</b>	<b>11,254,416</b>
<b>Currents assets</b>		<b>80,662,708</b>	<b>68,538,670</b>
<b>Assets</b>		<b>125,893,139</b>	<b>97,749,354</b>

# Balance Sheet 31 August

## Liabilities and equity

	Note	2019 DKK	2018 DKK
Share capital		500,000	500,000
Retained earnings		83,195,808	72,149,296
<b>Equity</b>	9	<b>83,695,808</b>	<b>72,649,296</b>
Provision for deferred tax	10	1,133,486	1,106,141
<b>Provisions</b>		<b>1,133,486</b>	<b>1,106,141</b>
Trade payables		22,419,597	16,236,714
Payables to group enterprises		12,545,930	282,001
Corporation tax		3,067,540	3,477,309
Other payables		3,030,778	3,997,893
<b>Short-term debt</b>		<b>41,063,845</b>	<b>23,993,917</b>
<b>Debt</b>		<b>41,063,845</b>	<b>23,993,917</b>
<b>Liabilities and equity</b>		<b>125,893,139</b>	<b>97,749,354</b>
Contingent assets, liabilities and other financial obligations	13		
Related parties	14		
Accounting Policies	15		

## Statement of Changes in Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 September	500,000	72,149,296	72,649,296
Net profit/loss for the year	0	11,046,512	11,046,512
<b>Equity at 31 August</b>	<b>500,000</b>	<b>83,195,808</b>	<b>83,695,808</b>

## Cash Flow Statement 1 September - 31 August

	Note	2018/19 DKK	2017/18 DKK
Net profit/loss for the year		11,046,512	12,567,360
Adjustments	11	8,226,151	9,088,779
Change in working capital	12	<u>-11,582,161</u>	<u>-12,235,885</u>
<b>Cash flows from operating activities before financial income and expenses</b>		<b>7,690,502</b>	<b>9,420,254</b>
Financial income		69,468	1,013
Financial expenses		<u>-45,595</u>	<u>-106,923</u>
<b>Cash flows from ordinary activities</b>		<b>7,714,375</b>	<b>9,314,344</b>
Corporation tax paid		<u>-3,513,350</u>	<u>-296,000</u>
<b>Cash flows from operating activities</b>		<b>4,201,025</b>	<b>9,018,344</b>
Purchase of property, plant and equipment		-21,320,844	-2,318,978
Sale of property, plant and equipment		<u>182,000</u>	<u>131,000</u>
<b>Cash flows from investing activities</b>		<b>-21,138,844</b>	<b>-2,187,978</b>
Repayment of payables to group enterprises		<u>12,263,929</u>	<u>-10,170,229</u>
<b>Cash flows from financing activities</b>		<b>12,263,929</b>	<b>-10,170,229</b>
<b>Change in cash and cash equivalents</b>		<b>-4,673,890</b>	<b>-3,339,863</b>
Cash and cash equivalents at 1 September		<u>11,254,416</u>	<u>14,594,279</u>
<b>Cash and cash equivalents at 31 August</b>		<b>6,580,526</b>	<b>11,254,416</b>
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		<u>6,580,526</u>	<u>11,254,416</u>
<b>Cash and cash equivalents at 31 August</b>		<b>6,580,526</b>	<b>11,254,416</b>

## Notes to the Financial Statements

	2018/19	2017/18
	DKK	DKK
<b>1 Staff expenses</b>		
Wages and salaries	23,802,344	18,950,120
Pensions	1,125,182	794,033
Other social security expenses	412,353	297,687
	<u>25,339,879</u>	<u>20,041,840</u>
<b>Average number of employees</b>	<u>46</u>	<u>38</u>
The company has no financial remuneration paid to management		
<b>2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment</b>		
Amortisation of intangible assets	2,736,561	3,361,561
Depreciation of property, plant and equipment	2,389,536	2,117,901
	<u>5,126,097</u>	<u>5,479,462</u>
<b>3 Financial expenses</b>		
Interest paid to group enterprises	4,723	5,231
Other financial expenses	40,873	4,180
Exchange adjustments, expenses	0	97,516
	<u>45,596</u>	<u>106,927</u>
<b>4 Tax on profit/loss for the year</b>		
Current tax for the year	3,103,581	3,476,953
Deferred tax for the year	27,345	90,900
	<u>3,130,926</u>	<u>3,567,853</u>

## Notes to the Financial Statements

### 5 Intangible assets

	Other intangible assets	Goodwill	Total
	DKK	DKK	DKK
Cost at 1 September	14,500,000	15,865,613	30,365,613
Cost at 31 August	14,500,000	15,865,613	30,365,613
Impairment losses and amortisation at 1 September	5,970,834	4,098,616	10,069,450
Amortisation for the year	1,150,000	1,586,561	2,736,561
Impairment losses and amortisation at 31 August	7,120,834	5,685,177	12,806,011
<b>Carrying amount at 31 August</b>	<b>7,379,166</b>	<b>10,180,436</b>	<b>17,559,602</b>
Amortised over	2-10 years	10 years	

### 6 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
	DKK	DKK	DKK	DKK	DKK
Cost at 1 September	5,595,897	5,632,879	2,803,321	0	14,032,097
Additions for the year	0	495,032	803,457	20,022,355	21,320,844
Disposals for the year	0	0	-320,991	0	-320,991
Cost at 31 August	5,595,897	6,127,911	3,285,787	20,022,355	35,031,950
Impairment losses and depreciation at 1 September	659,114	3,105,500	1,352,962	0	5,117,576
Depreciation for the year	270,490	1,256,534	862,512	0	2,389,536
Impairment and depreciation of sold assets for the year	0	0	-145,991	0	-145,991
Impairment losses and depreciation at 31 August	929,604	4,362,034	2,069,483	0	7,361,121
<b>Carrying amount at 31 August</b>	<b>4,666,293</b>	<b>1,765,877</b>	<b>1,216,304</b>	<b>20,022,355</b>	<b>27,670,829</b>
Depreciated over	5-30 years	5 years	3-5 years		



## Notes to the Financial Statements

	<u>2019</u>	<u>2018</u>
	DKK	DKK
<b>7 Inventories</b>		
Raw materials and consumables	22,554,368	17,284,168
Finished goods and goods for resale	<u>20,371,511</u>	<u>12,168,117</u>
	<b><u>42,925,879</u></b>	<b><u>29,452,285</u></b>

### **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.

### **10 Provision for deferred tax**

Provision for deferred tax at 1 September	1,106,141	1,015,241
Amounts recognised in the income statement for the year	<u>27,345</u>	<u>90,900</u>
<b>Provision for deferred tax at 31 August</b>	<b><u>1,133,486</u></b>	<b><u>1,106,141</u></b>

## Notes to the Financial Statements

	<u>2018/19</u>	<u>2017/18</u>
	DKK	DKK
<b>11 Cash flow statement - adjustments</b>		
Financial income	-69,468	-1,013
Financial expenses	45,596	106,927
Depreciation, amortisation and impairment losses, including losses and gains on sales	5,119,097	5,415,012
Tax on profit/loss for the year	<u>3,130,926</u>	<u>3,567,853</u>
	<b><u>8,226,151</u></b>	<b><u>9,088,779</u></b>
<b>12 Cash flow statement - change in working capital</b>		
Change in inventories	-13,473,594	-8,310,884
Change in receivables	-3,324,334	-2,476,626
Change in trade payables, etc	<u>5,215,767</u>	<u>-1,448,375</u>
	<b><u>-11,582,161</u></b>	<b><u>-12,235,885</u></b>

### 13 Contingent assets, liabilities and other financial obligations

#### Contingent liabilities

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

Other rent and lease liabilities have a value of DKK 1,916,223 at August 31, 2019 of which is due within 1 year DKK 952,705.

# Notes to the Financial Statements

## 14 Related parties

	<b>Basis</b>
<b>Controlling interest</b>	
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.

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

# Notes to the Financial Statements

## 15 Accounting Policies

The Annual Report of Agro Korn A/S for 2018/19 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 2018/19 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.

### 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.

# Notes to the Financial Statements

## 15 Accounting Policies (continued)

### 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.

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

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

#### 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

## 15 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.

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 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.

### 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	5-30 years
Plant and machinery	5 years
Other fixtures and fittings, tools and equipment	3-5 years

Depreciation period and residual value are reassessed annually.

# Notes to the Financial Statements

## 15 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 legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes

# Notes to the Financial Statements

## 15 Accounting Policies (continued)

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

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