

# C&D Foods (Denmark) A/S

Øresundsvej 2  
6715 Esbjerg  
Denmark

CVR no. 78 80 49 12

## Annual report 2019/20

The annual report was presented and approved at  
the Company's annual general meeting on

30 September 2020

\_\_\_\_\_  
chairman



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C&D Foods (Denmark) A/S  
Annual report 2019/20  
CVR no. 78 80 49 12

## Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of C&D Foods (Denmark) A/S for the financial year 1 April 2019 – 31 March 2020.

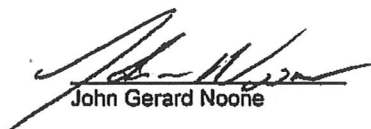
The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 March 2020 and of the results of the Company's operations and cash flows for the financial year 1 April 2019 – 31 March 2020.

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

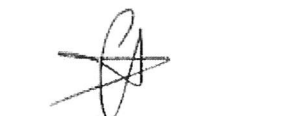
We recommend that the annual report be approved at the annual general meeting.

Esbjerg, 30 September 2020  
Executive Board:



John Gerard Noone

Board of Directors:



Colm Dore  
Chairman

Robert John Reynolds



John Gerard Noone



Jan Broe Hansen

## Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of C&D Foods (Denmark) A/S for the financial year 1 April 2019 – 31 March 2020.

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

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 March 2020 and of the results of the Company's operations and cash flows for the financial year 1 April 2019 – 31 March 2020.

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

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

Esbjerg, 30 September 2020  
Executive Board:

\_\_\_\_\_  
John Gerard Noone

Board of Directors:

\_\_\_\_\_  
Colm Dore  
Chairman

  
\_\_\_\_\_  
Robert John Reynolds

\_\_\_\_\_  
John Gerard Noone

\_\_\_\_\_  
Jan Broe Hansen



## Independent auditor's report

### To the shareholder of C&D Foods (Denmark) A/S

#### Opinion

We have audited the financial statements of C&D Foods (Denmark) A/S for the financial year 1 April 2019 – 31 March 2020 comprising 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 Company's assets, liabilities and financial position at 31 March 2020 and of the results of the Company's operations and cash flows for the financial year 1 April 2019 – 31 March 2020 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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that 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 the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made 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

## Independent auditor's report

- identify and assess the risks of material misstatement of the company 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 internal control that we identify during our audit.

### Statement on the Management's review

Management is responsible for the Management's review.

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

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

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



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## Independent auditor's report

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

Kolding, 30 September 2020

**KPMG**

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

A handwritten signature in black ink, appearing to be 'B. M. M.', written over a faint, circular, textured background.

State Authorised  
Public Accountant  
mne33220

C&D Foods (Denmark) A/S  
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## Management's review

### Company details

C&D Foods (Denmark) A/S  
Øresundsvej 2  
6715 Esbjerg  
Denmark

Telephone:	+45 76 14 83 00
Website:	<a href="http://www.cdfoods.com">www.cdfoods.com</a>
E-mail:	<a href="mailto:info.denmark@cdfoods.com">info.denmark@cdfoods.com</a>

CVR no.:	78 80 49 12
Established:	21 June 1985
Registered office:	Esbjerg
Financial year:	1 April – 31 March

### Board of Directors

Colm Dore, Chairman  
Robert John Reynolds  
John Gerard Noone  
Jan Broe Hansen

### Executive Board

John Gerard Noone

### Auditor

KPMG  
Statsautoriseret Revisionspartnerselskab  
Jupitervej 4  
6000 Kolding  
Denmark

### Annual general meeting

The annual general meeting will be held on 30 September 2020.

## Management's review

### Financial highlights

EUR'000	2019/20	2018/19	2017/18	2016/17	2015/16
<b>Key figures</b>					
Revenue	77,355	73,791	75,803	90,129	88,243
Ordinary operating profit/loss	-1,997	527	304	-719	1,248
Profit/loss from financial income and expenses	343	460	398	273	-523
Profit/loss for the year	-2,061	1,089	702	-533	1,788
Fixed assets	23,293	25,439	27,771	29,404	14,258
Current assets	30,542	27,308	24,054	23,958	29,096
Total assets	53,835	52,747	51,825	53,362	57,537
Contributed capital	13,667	13,664	13,684	13,714	0
Equity	36,684	38,735	37,703	37,084	37,522
Non-current liabilities	0	0	12	30	1,910
Current liabilities	17,151	14,012	14,110	16,248	18,105
<b>Ratios</b>					
Operating margin	-2.6%	0.7%	0.4%	-0.9%	1.4%
Solvency ratio	68.1%	73.2%	72.8%	69.5%	65.2%
Average number of full-time employees	300	279	306	368	377

Financial ratios are calculated in accordance with the guidelines "Recommendations & Ratios" issued by the Danish Society of Financial Analysts. The financial ratios have been calculated as follows:

Operating margin 
$$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$$

Invested capital 
$$\frac{\text{Operating intangible assets and property, plant and equipment plus net working capital}}{\text{Total equity and liabilities at year end}}$$

Solvency ratio 
$$\frac{\text{Equity ex. non-controlling interests at year end} \times 100}{\text{Total equity and liabilities at year end}}$$

## Management's review

### Operating review

#### Principal activities

The Company is BRC and IFS approved and supplies Wet pet food to the European retail trade as a "private label" manufacturer of pet food. Furthermore, C&D Foods (Denmark) A/S is a sub-supplier of Wet pet food for other manufacturers/distributors of "branded products".

#### Development in activities and financial position

The Company's revenue came in at EUR 77 million, which was down on sales forecast. Loss for the year amounted to EUR 2 million, which was a decrease compared to last year. Especially, additional labour costs, finished goods waste and raw material prices impacted results for the year.

Investments in fixed assets for 2019/20 amounted to EUR 731 thousand (2018/19: EUR 860 thousand).

#### Uncertainty regarding recognition and measurement

The Company's deferred tax at 31 March 2020 makes up a significant amount available for indefinite carryforward. The use thereof depends on the development in future earnings, which is uncertain. Due to a conservative estimate of future earnings, Management chose only to capitalise a deferred tax asset amounting to budgeted profits for the coming three years.

The tax asset is disclosed in note 9.

#### Outlook

EBITDA for the coming year is expected to increase from the level in 2019/20. The COVID-19 situation is a risk for the Company's employees and future performance. The Company takes all precautionary measures to mitigate the risk.

#### Particular risks

The Company's major risks relate to its ability to operate on a competitive private-labelled pet food market in Europe and to successfully gain from the synergies emerging from joining the C&D Foods Group in October 2012.

#### Financial risks

The Company is financed by group loans, which means that the Company is exposed to limited financial risks.

##### *Currency risks*

The Company's foreign currency risks are limited, as the Company primarily operates in the euro zone. However, GBP, USD and PLN are subject to certain exposure.

##### *Interest rate risks*

The Company's interest risks are considered low since the Group provides a vast part of the financing.

## Management's review

### Operating review

#### *Credit risks*

The Company's customer credit risk primarily relates to its customers' ability to pay. The risk is considered low, since the customer portfolio is primarily made up of large national and/or multinational operating retailers with proper credit insurance in place.

#### Corporate social responsibility

With regard to section 99a of the Danish Financial Statements Act on Corporate Social Responsibility including human rights and climate impact, corruption, social and employee matters, it should be noted that C&D Foods does not have any written policies in place. As part of the internal risk assessment, no significant risks have been noted according to the Act on Corporate Social Responsibility. The Company follows group policies not to disclose CSR in the annual report. Accordingly, no reporting has been prepared in this respect.

#### Business model

The Company is part of a network of petfood production sites to meet the varying demands of private label retailers, from large scale and low cost highly automated facilities.

In all cases, the ethos is the same: a highly trained workforce focused on continuous improvement and operating to the highest standards. Our 'Excellence in Petfood' programme promotes a culture of leadership, ownership and responsibility through belief, pride and confidence in what we do.

#### Goals and policies for the underrepresented gender

C&D Foods (Denmark) A/S believes that diversity among Management and employees, including equal distribution of gender, is an important condition for the Company to expand at optimum level and deliver the best results in accordance with the Company's values and culture.

The Executive Board of C&D Foods (Denmark) A/S wants to give both sexes equal access to leadership positions and believes that board members should be chosen based on their overall competencies. The male/female balance on the Company's Executive Board is at present 100%/0%. The target is to increase the share of women on the Executive Board to 1/3 by 2022. This accounts for 1 female member out of the 3 elected by the annual general meeting. As stated, the Board members are solely elected based on qualifications rather than gender. This may interfere with the meeting of the target. The measures initiated did not pay off in 2019/20.

C&D Foods (Denmark) A/S' goal to have at least one female manager has been met, and initiatives will be taken to attract more qualified female candidates when changes are to be made to the present management team. When the Company has a vacant position on management level, both genders are encouraged to apply and receive relevant training.

#### Environmental matters

The Company is devoted to environmental aspects and constantly strives at reducing the environmental impact from its operations. The Company has no outstanding issues with the environmental authorities in terms of environmental permits and compliance with environmental regulations.

Also in 2019/20, C&D Foods (Denmark) A/S focused on reducing its environmental impact and carried out a number of projects in order to improve the environment, and especially the energy savings project with reduced energy used in the production made a difference.

## **Management's review**

### **Operating review**

In 2019/20, energy savings projects will further reduce energy used in production.

### **Research and development activities**

Product development in cooperation with our customers is a focus area.

### **Intellectual capital**

In 2019/20, C&D Foods (Denmark) A/S remained focused on its main business areas to attract intellectual capital for various functions and thereby to strengthen its competitiveness and future performance.

### **Events after the balance sheet date**

Reference is made to note 16, in which the matter is described in further detail.

## Financial statements 1 April – 31 March

### Income statement

EUR'000	Note	2019/20	2018/19
<b>Revenue</b>	2	77,355	73,791
Cost of goods sold		-46,244	-42,222
Other operating income		0	346
Other external costs	3	-12,483	-12,326
<b>Gross profit</b>		18,628	19,589
Staff costs	4	-18,524	-16,091
Depreciation and amortisation		-2,101	-2,971
<b>Ordinary operating profit/loss</b>		-1,997	527
Other operating costs		0	-13
<b>Operating profit/loss</b>		-1,997	514
Financial income	5	371	474
Financial expenses		-28	-14
<b>Profit/loss before tax</b>		-1,654	974
Tax on profit/loss for the year		-407	115
<b>Profit/loss for the year</b>	6	-2,061	1,089

## Financial statements 1 April – 31 March

### Balance sheet

EUR'000	Note	31/3 2020	31/3 2019
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible assets</b>	7		
Acquired patents		55	36
Software		209	322
		<u>264</u>	<u>358</u>
<b>Property, plant and equipment</b>	8		
Land and buildings		4,088	4,536
Property, plant and equipment in progress		1,172	5,283
Plant and machinery		6,124	2,773
Fixtures and fittings, tools and equipment		43	6
		<u>11,427</u>	<u>12,598</u>
<b>Investments</b>			
Receivables from group entities		11,585	12,466
Deposits		17	17
		<u>11,602</u>	<u>12,483</u>
<b>Total fixed assets</b>		<u>23,293</u>	<u>25,439</u>
<b>Current assets</b>			
<b>Inventories</b>			
Raw materials and consumables		4,017	3,120
Work in progress		1,058	887
Finished goods and goods for resale		6,669	5,941
		<u>11,744</u>	<u>9,948</u>
<b>Receivables</b>			
Trade receivables		2,684	2,873
Receivables from group entities		11,961	12,087
Other receivables		544	680
Deferred tax asset	9	766	1,173
Prepayments	10	739	336
		<u>16,694</u>	<u>17,149</u>
<b>Cash at bank and in hand</b>		<u>2,104</u>	<u>211</u>
<b>Total current assets</b>		<u>30,542</u>	<u>27,308</u>
<b>TOTAL ASSETS</b>		<u><u>53,835</u></u>	<u><u>52,747</u></u>

## Financial statements 1 April – 31 March

### Balance sheet

EUR'000	Note	31/3 2020	31/3 2019
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	11		
Contributed capital		13,667	13,664
Retained earnings		23,017	25,071
<b>Total equity</b>		36,684	38,735
<b>Liabilities</b>			
<b>Current liabilities</b>			
Current portion of non-current liabilities		0	12
Trade payables		9,182	10,079
Payables to group entities		1,846	245
Other payables		6,123	3,676
		17,151	14,012
<b>Total liabilities</b>		17,151	14,012
<b>TOTAL EQUITY AND LIABILITIES</b>		53,835	52,747

## Financial statements 1 April – 31 March

### Statement of changes in equity

EUR'000	Contributed capital	Retained earnings	Total
Equity at 1 April 2019	13,664	25,071	38,735
Exchange rate adjustment	3	7	10
Transferred over the profit appropriation/distribution of loss	0	-2,061	-2,061
<b>Equity at 31 March 2020</b>	<b>13,667</b>	<b>23,017</b>	<b>36,684</b>

## Financial statements 1 April – 31 March

### Cash flow statement

EUR'000	Note	2019/20	2018/19
Loss for the year		-2,061	1,089
Other adjustments of non-cash operating items	12	64	-444
Depreciation and amortisation		2,101	2,971
Provisions		-12	0
Cash flows from operations before changes in working capital		92	3,616
Changes in working capital	13	1,403	-3,545
Cash flows from ordinary activities		1,495	71
Interest income		371	409
Interest expense		-19	-5
<b>Cash flows from operating activities</b>		<b>1,847</b>	<b>475</b>
Acquisition of intangible assets		-104	-128
Acquisition of property, plant and equipment		-731	-860
Disposal of property, plant and equipment		0	14
Repayments of deposits		0	11
<b>Cash flows from investing activities</b>		<b>-835</b>	<b>-963</b>
Shareholders:			
Repayments on loans		881	306
<b>Cash flows from financing activities</b>		<b>881</b>	<b>306</b>
<b>Cash flows for the year</b>		<b>1,893</b>	<b>-182</b>
Cash and cash equivalents at the beginning of the year		211	393
<b>Cash and cash equivalents at year end</b>		<b>2,104</b>	<b>211</b>

## Financial statements 1 April – 31 March

### Notes

#### 1 Accounting policies

The annual report of C&D Foods (Denmark) A/S for 2019/20 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

All amounts are stated in EUR thousand (EUR'000).

#### Foreign currency translation

Transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement.

Receivables and payables and other monetary items denominated in foreign currencies which were not settled at the balance sheet date are translated at the exchange rates at the balance sheet date.

The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose is recognised in the income statement as financial income or financial expenses.

Fixed assets acquired in foreign currencies are translated at the exchange rate at the transaction date.

### Income statement

#### Revenue

Income from the sale of goods for resale and finished goods is recognised in the income statement provided that delivery and transfer of risk to the buyer have taken place and that the income can be reliably measured and is expected to be received. The date of transfer of the most significant benefits and risks is determined using standard Incoterms ® 2010.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are deducted from revenue.

#### Cost of sales

Costs of raw materials and packaging materials comprise raw materials and packaging materials used to generate revenue for the year.

#### Other operating income

Other operating income comprises items secondary to the activities of the entity, including gains on the disposal of intangible assets and property, plant and equipment.

#### Other external costs

Other external costs comprise distribution costs and costs related to sales, marketing, administration, office premises, bad debts, operating leases, etc.

## Financial statements 1 April – 31 March

### Notes

#### 1 Accounting policies (continued)

##### Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees.

##### Depreciation and amortisation

Depreciation and amortisation comprise depreciation and amortisation for the year of intangible assets and property, plant and equipment.

##### Other operating costs

Other operating costs comprise items secondary to the activities of the entity, including losses on the disposal of intangible assets and property, plant and equipment.

##### Financial income and expenses

Financial income and expenses comprise interest income and expense on assets and payables as well as transactions denominated in foreign currencies.

##### Tax on profit/loss for the year

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

### Balance sheet

#### Intangible assets

Trademarks and software are measured at cost less accumulated amortisation. Trademarks and software are amortised on a straight-line basis over the remaining useful lives.

The amortisation period for trademarks is usually 1-2 years and for software 3-5 years.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal.

Gains and losses are recognised in the income statement as other operating income or other operating costs respectively.

## Financial statements 1 April – 31 March

### Notes

#### 1 Accounting policies (continued)

##### Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Buildings	30 years
Plant and machinery	5-12 years
Fixtures and fittings, tools and equipment	3-5 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Land is not depreciated.

Fixed assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

Depreciation is recognised in the income statement as depreciation and amortisation.

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

##### Leases

Leases for fixed assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are initially recognised in the balance sheet at cost, corresponding to the lower of fair value and the net present value of future lease payments. When the net present value of the future lease payments is calculated, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Company's other fixed assets.

The capitalised residual lease obligation is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

All other leases are treated as operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed as contingencies, etc.

## Financial statements 1 April – 31 March

### Notes

#### 1 Accounting policies (continued)

##### Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

##### Other investments

Deposits are recognised at cost.

##### Inventories

Raw materials and packaging materials are measured at purchase price in accordance with the FIFO method.

Work in progress and finished goods are valued at calculated cost comprising the costs of raw materials and packaging materials as well as processing costs plus direct costs and a share of production overheads.

Indirect production overheads comprise indirect materials and wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Goods for resale are valued at purchase price.

Where the net realisable value is lower than cost/purchase price, inventories are written down to the lower value.

##### Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's credit risk management policy. The objective indicators used in relation to portfolios are determined on the basis of the Company's track record with bad debts.

## Financial statements 1 April – 31 March

### Notes

#### 1 Accounting policies (continued)

##### Prepayments

Prepayments comprise prepayment of costs relating to subsequent financial years.

##### Equity

##### *Dividends*

Proposed dividends are recognised as a liability at the date on which they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

##### Corporation tax and deferred tax

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

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

##### Liabilities other than provisions

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

Finance lease obligation comprise the capitalised residual lease obligation of finance leases.

Other liabilities are measured at net realisable value.

## Financial statements 1 April – 31 March

### Notes

#### 1 Accounting policies (continued)

##### Cash flow statement

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

The cash flow effect of acquisitions and divestment of entities is shown separately in cash flows from investing activities. Cash flows relating to acquired entities are recognised in the cash flow statement from the date of acquisition, and cash flows relating to divested entities are recognised up to the date of divestment.

##### Cash flows from operating activities

Cash flows from operating activities are calculated as the Company's share of profit/loss for the year adjusted for non-cash operating items, changes in working capital and corporation tax paid.

##### Cash flows from investing activities

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

##### Cash flows from financing activities

Cash flows from financing activities comprise changes in size or composition of the Company's share capital and costs in this respect as well as raising of loans, instalments on interest-bearing debt and distribution of dividends to owners.

##### Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are easily convertible into cash and which are subject to only an insignificant risk of changes in value.

### Segment information

Segment information is provided on geographical markets.

## Financial statements 1 April – 31 March

### Notes

#### 2 Segment information

Segment information is only provided on geographical markets, as the Company only has one business segment. The segment information is in line with the Group's accounting policies, risk and internal financial management.

EUR'000	2019/20	2018/19
<b>Revenue</b>		
Export markets	74,177	70,690
Domestic market	3,178	3,101
	<u>77,355</u>	<u>73,791</u>

#### 3 Fees to auditor appointed at the general meeting

##### Total fees to KPMG:

Statutory audit services	37	37
Tax assistance	9	9
Other assistance	23	18
	<u>69</u>	<u>64</u>

#### 4 Staff costs

Wages and salaries	16,908	14,644
Pensions	1,456	1,268
Other social security costs	160	179
	<u>18,524</u>	<u>16,091</u>
Average number of full-time employees	300	279

Staff costs include remuneration of Management at an amount of EUR 197 thousand. (2018/19: EUR 219 thousand).

In accordance with section 98b(3)(i) of the Danish Financial Statements Act, remuneration of the Executive Board and the Board of Directors is disclosed as a one-line item.

#### 5 Financial income

Interest income from group entities	371	409
Exchange gains	0	65
	<u>371</u>	<u>474</u>

#### 6 Proposed profit appropriation/distribution of loss

Retained earnings	<u>-2,061</u>	<u>1,089</u>
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## Financial statements 1 April – 31 March

### Notes

#### 7 Intangible assets

EUR'000	Trademarks	Software	Total
Cost at 1 April 2019	496	522	1,018
Additions for the year	86	18	104
Cost at 31 March 2020	582	540	1,122
Amortisation at 1 April 2020	-460	-200	-660
Amortisation for the year	-67	-131	-198
Amortisation at 31 March 2020	-527	-331	-858
<b>Carrying amount at 31 March 2020</b>	<b>55</b>	<b>209</b>	<b>264</b>

#### 8 Property, plant and equipment

EUR'000	Land and buildings	Property, plant and equipment under construction	Plant and machinery	Fixtures and fittings, tools and equipment	Total
Cost at 1 April 2019	18,998	5,283	53,789	6,378	84,448
Exchange rate adjustment	2	9	-5	-1	5
Additions for the year	0	731	0	0	731
Disposals for the year	-13	0	-20,577	0	-20,590
Transfers for the year	87	-4,851	4,693	71	0
Cost at 31 March 2020	19,074	1,172	37,900	6,448	64,594
Depreciation at 1 April 2019	-14,462	0	-51,016	-6,372	-71,850
Exchange rate adjustment	0	0	-4	0	-4
Depreciation for the year	-537	0	-1,333	-33	-1,903
Depreciation for the year of assets disposals	13	0	20,577	0	20,590
Depreciation at 31 March 2020	-14,986	0	-31,776	-6,405	-53,167
<b>Carrying amount at 31 March 2020</b>	<b>4,088</b>	<b>1,172</b>	<b>6,124</b>	<b>43</b>	<b>11,427</b>
Assets held under finance leases	0	0	32	0	0

Of the disposal thousand 109 EUR is sale of plant and machinery. Depreciation EUR 109 thousand, NBV on sale 0 EUR

## Financial statements 1 April – 31 March

### Notes

EUR'000

31/3 2020      31/3 2019

#### 9 Deferred tax

Deferred tax at 1 April	1,173	1,060
Deferred tax adjustment for the year	-407	115
Exchange rate adjustment	0	-2
	<u>766</u>	<u>1,173</u>

The Company's preliminary net deferred tax asset at 31 March 2020 amounted to approx. EUR 18 million.

Due to uncertainty in estimating future earnings, Management has chosen only to capitalise a deferred tax asset amounting to budgeted profits for the coming three years. Going forward, Management will also assess any potential capitalisation of the deferred tax asset.

#### 10 Prepayments

Prepaid assurance	66	64
Other payments	<u>673</u>	<u>272</u>
	<u>739</u>	<u>336</u>

#### 11 Equity

The contributed capital comprises 10,200,000 shares of DKK 10 each. All shares rank equally.

The contributed capital has not undergone any changes during the past five years.

#### 12 Other adjustments

Other financial income	-371	-474
Financial expenses	28	14
Tax on profit/loss for the year	407	0
Exchange rate adjustments	0	3
Gains/loss on the disposal of non-current assets	<u>0</u>	<u>13</u>
	<u>64</u>	<u>-444</u>

#### 13 Changes in working capital

Change in inventories	-1,796	-529
Change in receivables	48	-2,907
Change in trade and other payables	<u>3,151</u>	<u>-109</u>
	<u>1,403</u>	<u>-3,545</u>

## Financial statements 1 April – 31 March

### Notes

#### 14 Contractual obligations, contingencies, etc.

##### Contingent liabilities

The Company is a party to a few pending disputes. In Management's opinion, apart from liabilities recognised in the balance sheet at 31 March 2020, the outcome of these disputes will not further affect the Group's financial position.

##### Operating lease obligations

The Company has entered into operating rent with remaining term of 1-60 months and an average monthly payment of EUR 27, totalling EUR 1,605 thousand. Cost in the financial year is EUR 673 thousand.

The Company has entered into lease agreements with remaining term of 1-60 months and an average monthly lease payment of EUR 7, totalling EUR 410 thousand. Cost in the financial year is EUR 176 thousand.

##### Other liabilities

For 2019/20, the Company has a commitment to purchase energy for production purposes at a total of EUR 824 thousand.

#### 15 Related party disclosures

C&D Foods (Denmark) A/S' related parties comprise the following:

##### Control

C&D Foods Ireland Holdings Limited, Channel Islands, Great Britain.

C&D Foods Ireland Holdings Limited holds the majority of the contributed capital in the Company.

C&D Foods (Denmark) A/S is part of the consolidated financial statements of C&D Foods Ireland Holdings Limited, Great Britain, which is the smallest and largest group, in which the Company is included as a subsidiary.

The consolidated financial statements of C&D Foods Ireland Holdings Limited can be obtained from the Company.

##### Related party transactions

EUR'000	2019/20
Sale to group companies	61,612
Purchase from group companies	5,596

Receivables and payables to group companies are disclosed in the balance sheet, and interest to group entities is disclosed in note 5.

## Financial statements 1 April – 31 March

### Notes

#### 16 Disclosure of events after the balance sheet date

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