AB Neo A/S

Skjernvej 42, DK-6920 Videbæk

Annual Report for
1 September 2023 - 31 August 2024

CVR No. 37 40 42 41

The Annual Report was presented and adopted at the Annual General Meeting of the company on 12/3 2025

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 Annual Report of AB Neo A/S for the financial year 1 September 2023 - 31 August 2024.

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 2024 of the Company and of the results of the Company operations for 2023/24.

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, 12 March 2025

Executive Board

Jesper Riisgaard Nielsen
Executive Officer

Board of Directors

José Jorge Nobre Chairman	Andrew James Paul Vice chairman	Ole Nørgaard

Independent Auditor's report

To the shareholder of AB Neo A/S

Qualified Opinion

We have audited the financial statements of AB Neo A/S for the financial year 1 September – 31 August 2024, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, except for the potential effects of the matters described in the "Basis for qualified opinion" section, the financial statements give a true and fair view of the financial position of the Company at 31 August 2024 and of the results of the Company's operations for the financial year 1 September – 31 August 2024 in accordance with the Danish Financial Statements Act.

Basis for Qualified Opinion

Due to the cyber incident mentioned in note 1 to the financial statements, there have been certain limitations in our audit, as the Management was not able to fully restore the complete set of financial data and supporting documentation. Consequently, we were not able to determine whether any additional adjustments to Gross profit and the related Trade Receivables and Trade Payables were necessary.

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 qualified opinion.

Independence

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.

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.

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 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.

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 Statement Act. We did not identify any material misstatement of the Management's review.

Non-compliance with the Danish Bookkeeping Act

With reference to note 1 to the Financial Statements, we noted that the Company has not complied with the Danish Bookkeeping Act requirement regarding retention of accounting records.

Independent Auditor's report

Herning, 12 March 2025

EY Godkendt Revisionspartnerselskab

CVR No 30 70 02 28

Jesper Stier
State Authorised Public Accountant
mne42245

Emil Overlund
State Authorised Public Accountant
mne47883

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 2023 - 31 August 2024 Incorporated: 22 January 2016 Municipality of reg. office: Ringkøbing-Skjern
Board of Directors	José Jorge Nobre, chairman Andrew James Paul, vice chairman Ole Nørgaard
Executive Board	Jesper Riisgaard Nielsen
Auditors	EY Godkendt 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:

	2023/24	2022/23	2021/22	2020/21	2019/20
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Profit/loss of primary operations	-17,294	-16,299	2,054	13,632	27,201
Profit/loss of financial income and expenses	170	29	-55	-86	-16
Net profit/loss for the year	-13,399	-11,676	1,617	10,547	21,207
Balance sheet					
Balance sheet total	232,614	224,436	241,377	159,563	151,513
Equity	173,952	187,266	199,117	115,408	104,864
Number of employees	52	54	58	61	51
Ratios					
Return on assets	-7.4%	-7.3%	0.9%	8.5%	18.0%
Solvency ratio	74.8%	83.4%	82.5%	72.3%	69.2%
Return on equity	-7.4%	-6.0%	1.0%	9.6%	22.5%

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 2023/24 shows a loss of DKK 13,399,448, and at 31 August 2024 the balance sheet of the Company shows a positive equity of DKK 173,951,853.

The management expected an increase of revenue by 20 to 40% as well as a positive result of 3-7 mDKK, which have not been fulfilled. On this basis, the management finds the result of the year unsatisfying. The Company's operations and result in 2023/24 was impacted by the general market conditions for pork production as well as high raw material prices. In the final month of the year being reported, as discussed further below, the Company was impacted by an IT incident resulting in additional costs to be incurred across production, logistics and IT costs.

IT incident

On 20 August 2024 the Company was forced to rapidly shut down its IT systems due to a cyber-attack intrusion. Despite immediate assistance from external cyber forensics experts and a sustained and coordinated response from all employees, access to certain financial data relating to the financial year 2023/24 could not be reestablished. However, access to most of the financial data necessary for the preparation of the annual report was successfully retrieved with the assistance of external advisors from one of the big four financial service providers. Further historical data was lost. Periodic filing of VAT etc. was done based on the data available. Corrections to these fillings was made in subsequent periods.

The incident was reported to the relevant Danish authorities.

Outlook and expectations

The management expects that the Company will report a worse financial result in 2024/25 as a direct consequence of the IT incident as the Company recovers from this intrusion. The outlook is more uncertain than normal due to the impact of the IT incident on the Company's daily operations with the financial result expected to be a loss in the range of 16-27 mDKK.

External environment

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

Financial instruments

Apart from regular forward purchase contracts for certain raw materials used in the production of the Company's products, the Company does not use financial instruments.

Uncertainty relating to recognition and measurement

Management were able to restrain most of the uncertainty regarding recognition and measurement in the Annual Report, except for certain financial line items where the Company has been unable to reestablish access to all of the financial source data lost due to the IT incident. The Company and its management have taken all steps possible to ensure that Annual Report despite these limited uncertainties gives a fair presentation of the Company's assets, equity and liabilities, financial position and profit or loss for the year.

Unusual events

The financial position at 31 August 2024 of the Company and the results of the activities and cash flows of the Company for the financial year for 2023/24 have not been affected by any unusual events except for the IT incident.

Management's review

Subsequent events

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

Income statement 1 September 2023 - 31 August 2024

	Note	2023/24	2022/23
		DKK	DKK
Gross profit		**25,001,004**	**26,802,647**
Staff expenses	2	-33,793,420	-34,424,831
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	3	-8,406,503	-8,676,493
Other operating expenses		-95,089	0
Profit/loss before financial income and expenses		**-17,294,008**	**-16,298,677**
Financial income	4	245,863	102,420
Financial expenses	5	-75,485	-73,024
Profit/loss before tax		**-17,123,630**	**-16,269,281**
Tax on profit/loss for the year	6	3,724,182	4,593,382
Net profit/loss for the year	7	**-13,399,448**	**-11,675,899**

Balance sheet 31 August 2024

Assets

	Note	2023/24	2022/23
		DKK	DKK
Acquired other similar rights		1,629,166	2,779,166
Goodwill		2,247,631	3,834,192
Intangible assets	8	**3,876,797**	**6,613,358**
Land and buildings		31,334,074	34,313,891
Plant and machinery		258,710	319,386
Other fixtures and fittings, tools and equipment		5,756,409	4,550,905
Property, plant and equipment in progress		73,132,844	64,750,832
Property, plant and equipment	9	**110,482,037**	**103,935,014**
Fixed assets		**114,358,834**	**110,548,372**
Inventories	10	**48,105,098**	**45,548,481**
Trade receivables		24,693,243	20,951,302
Receivables from group enterprises		17,730,288	13,080,874
Other receivables		230,363	174,882
Deferred tax asset	11	5,068,722	1,344,540
Corporation tax		1,680,000	2,852,000
Prepayments	12	436,666	629,141
Receivables		**49,839,282**	**39,032,739**
Cash at bank and in hand		**20,311,139**	**29,306,780**
Current assets		**118,255,519**	**113,888,000**
Assets		**232,614,353**	**224,436,372**

Balance sheet 31 August 2024

Liabilities and equity

	Note	2023/24	2022/23
		DKK	DKK
Share capital	13	1,000,000	1,000,000
Reserve for hedging transactions		0	-85,231
Retained earnings		172,951,853	186,351,301
Equity		**173,951,853**	**187,266,070**
Lease obligations		2,676,343	3,942,796
Long-term debt	14	**2,676,343**	**3,942,796**
Lease obligations	14	4,247,621	3,884,650
Trade payables		34,684,796	18,975,590
Payables to group enterprises		14,763,275	6,909,684
Other payables		2,290,465	3,457,582
Short-term debt		**55,986,157**	**33,227,506**
Debt		**58,662,500**	**37,170,302**
Liabilities and equity		**232,614,353**	**224,436,372**

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Statement of changes in equity

	Share capital	Reserve for hedging transactions	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 September	1,000,000	-85,231	186,351,301	187,266,070
Fair value adjustment of hedging instruments, end of year	0	85,231	0	85,231
Net profit/loss for the year	0	0	-13,399,448	-13,399,448
Equity at 31 August	**1,000,000**	**0**	**172,951,853**	**173,951,853**

Notes to the Financial Statements

1. Uncertainty relating to recognition and measurement

On 20 August 2024 the Company was forced to rapidly shut down its IT systems due to a cyber-attack intrusion. Despite immediate assistance from external cyber forensics experts and a sustained and coordinated response from all employees, access to certain financial data relating to the financial year 2023/24 could not be reestablished. However, access to most of the financial data necessary for the preparation of the annual report was successfully retrieved with the assistance of external advisors from one of the big four financial service providers. Further historical data was lost. Periodic filing of VAT etc. was done based on the data available. Corrections to these fillings was made in subsequent periods.

The incident was reported to the relevant Danish authorities.

Management were able to restrain most of the uncertainty regarding recognition and measurement in the Annual Report, except for certain financial line items where the Company has been unable to reestablish access to all of the financial source data lost due to the IT incident. The Company and its management have taken all steps possible to ensure that Annual Report despite these limited uncertainties gives a fair presentation of the Company's assets, equity and liabilities, financial position and profit or loss for the year.

	2023/24	2022/23
	DKK	DKK

2. Staff expenses

Wages and salaries	30,893,102	31,584,525
Pensions	2,421,345	2,333,499
Other social security expenses	478,973	506,807
	33,793,420	**34,424,831**

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

Average number of employees	**52**	**54**

	2023/24	2022/23
	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	5,669,942	5,939,932
	8,406,503	**8,676,493**

Notes to the Financial Statements

4. Financial income

	2023/24	2022/23
	DKK	DKK
Interest received from group enterprises	180,160	96,817
Other financial income	65,703	5,603
	245,863	**102,420**

5. Financial expenses

	2023/24	2022/23
	DKK	DKK
Interest paid to group enterprises	73,028	46,821
Other financial expenses	2,457	26,203
	75,485	**73,024**

6. Income tax expense

	2023/24	2022/23
	DKK	DKK
Deferred tax for the year	-3,724,182	-3,570,727
Adjustment of tax concerning previous years	0	-1,022,655
	-3,724,182	**-4,593,382**

7. Profit allocation

	2023/24	2022/23
	DKK	DKK
Retained earnings	-13,399,448	-11,675,899
	-13,399,448	**-11,675,899**

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	11,720,834	12,031,421
Amortisation for the year	1,150,000	1,586,561
Impairment losses and amortisation at 31 August	12,870,834	13,617,982
Carrying amount at 31 August	**1,629,166**	**2,247,631**
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	45,192,251	6,040,975	12,519,032	64,750,832
Additions for the year	392,482	80,619	3,456,941	8,801,001
Disposals for the year	-206,253	0	-1,676,700	0
Cost at 31 August	45,378,480	6,121,594	14,299,273	73,551,833
Impairment losses and depreciation at 1 September	10,878,360	5,721,589	7,968,127	0
Impairment losses for the year	0	0	0	418,989
Depreciation for the year	3,277,211	141,295	2,251,436	0
Impairment and depreciation of sold assets for the year	-111,165	0	0	0
Reversal of impairment and depreciation of sold assets	0	0	-1,676,699	0
Impairment losses and depreciation at 31 August	14,044,406	5,862,884	8,542,864	418,989
Carrying amount at 31 August	**31,334,074**	**258,710**	**5,756,409**	**73,132,844**
Amortised over	5-50 years	5-12 years	3-12 years	

Notes to the Financial Statements

	2023/24	2022/23
	DKK	DKK
10. Inventories		
Raw materials and consumables	24,811,798	28,173,783
Finished goods and goods for resale	23,293,300	17,374,698
	48,105,098	**45,548,481**

	2023/24	2022/23
	DKK	DKK
11. Deferred tax asset		
Deferred tax asset at 1 September	1,344,540	-2,226,187
Amounts recognised in the income statement for the year	3,724,182	3,570,727
Deferred tax asset at 31 August	**5,068,722**	**1,344,540**

Of the company's tax assets, TDKK 5.963 is income tax loss to be carried forward, which is expected to be utilized in the coming financial years.

12. Prepayments

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

13. Share capital

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

	2023/24	2022/23
	DKK	DKK

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:

Lease obligations		
After 5 years	0	0
Between 1 and 5 years	2,676,343	3,942,796
Long-term part	2,676,343	3,942,796
Within 1 year	4,247,621	3,884,650
	6,923,964	**7,827,446**

15. Contingent assets, liabilities and other financial obligations

Other contingent liabilities

The company has concluded regular forward purchase contracts for raw materials throughout the year. There were no outstanding contracts at year end.

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.

Notes to the Financial Statements

16. Related parties and disclosure of consolidated financial statements

	Basis
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)(6) of the Danish Financial Statements Act.

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

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

17. Subsequent events

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

Notes to the Financial Statements

18. Accounting policies

The Annual Report of AB Neo A/S for 2023/24 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 2023/24 are presented in DKK.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Associated British Foods plc, the Company has not prepared a cash flow statement.

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.

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.

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 the fair value reserve 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.

Income statement

Revenue

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

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

The company has chosen IAS18 as an interpretation contribution for the recognition of revenue.

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 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 costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees.

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.

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.

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.

The company has chosen IAS39 as an interpretation contribution for the recognition and measurement of financial assets.

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, including the tax base of tax loss carry-forwards, 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 liabilities

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

Financial Highlights

Explanation of financial ratios

Return on assets	Profit/loss of primary operations x 100 / Total assets at year end
Solvency ratio	Equity at year end x 100 / Total assets at year end
Return on equity	Net profit for the year x 100 / Average equity