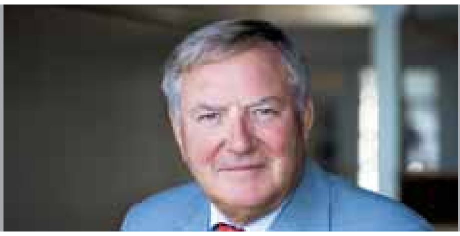
Annual Report 2005-2006



# Economic Development of the Group

## Bernd Griese, CEO

2005/06 was an intensive and exciting year marked by new challenges and changes. Continuing the high investment level of the previous year when Brewery Sector capacity was increased significantly, new state-of-the-art production equipment was installed which enabled us, as the first brewery in Denmark, to offer our customers beer and soft drinks in one-way plastic bottles. The sale of soft drinks in one-way PET bottles has been a success – not just in Denmark, but also on our most important export markets. This made it even more regrettable that the breaking-in and optimisation of the equipment took much longer than planned.

This breaking-in period consumed many managerial resources and resulted in significant additional pay and distribution costs. However, our main aim was to indemnify our customers.

New modern facilities demand a lot from our employees. We have therefore strengthened the in-house training of our employees to provide them with the knowledge of processes and facilities they need and to make sure that each production team maintains its focus on quality and efficiency. Such a process involves changes and changed requirements for each employee and it also meant that we had to let some employees go. The process was characterised by a positive attitude and commitment thanks to our many loyal employees. Our objective of a dynamic organisation focusing on development and growth has been met.

The company continues to focus on efficiency programmes to ensure strong competitiveness, which is a condition for maintaining and expanding our position as a strategic partner.

We have the required capacity and our financial resources ensure that the necessary investments and market adjustments can be carried out whenever needed.

The many internal challenges meant that we had to adjust our expectations downwards for the 2005/06 profit before tax during the year to DKK 90-100 million, and we obtained a profit before tax of DKK 94.6 million.

The support from our shareholders has contributed to the company's positive development and due to a wish for increased consolidation and expansion, they have been patient about dividend payments for a great many years. Based on a lower level of investment and the positive development in liquidity, the Board of Directors will recommend at the general meeting that a dividend of DKK 48 million be paid.

On behalf of the company, I would like to thank our customers, trade partners and consumers for their loyal support of the company.

We thank our shareholders for the trust they have shown the company and we thank all our employees for their support and commitment to the company in a year which tested our willingness to change.

The company wants continued growth. Our value-creating activities and objective to grow more than the market will continue into 2006/07.

# Contents


# The Financial Year 2005/06 for the Group in Brief

The results are in line with the expectations expressed in the latest quarterly report.

**Revenue** fell by 6.2 per cent to DKK 1.36 billion.

- Revenue of the Brewery Sector fell by 3.2 per cent and now constitutes 87 per cent of the group's total gross revenue.
- Harboefarm A/S's revenue fell by 20.5 per cent.

**The sale of beer and soft drinks**, including malt beverages and malt wort products, totalled 5.31 million hectolitres compared with 5.14 million hectolitres last year, a 3.3 per cent increase.

**Operating profit** was DKK 98.8 million.

- Operating profit of the Brewery Sector fell by DKK 33.9 million to DKK 93.2 million.
- Operating profit of Harboefarm A/S fell by DKK 3.6 million to DKK 5.7 million.

**Consolidated profit before tax** was DKK 94.6 million against DKK 130.2 million last year.

**The group's investments during the financial year totalled** DKK 96.4 million.

**Cash flows** from operating activities and free cash flows amounted to DKK 124.8 million and DKK – 10.8 million, respectively.

**It is proposed** that a dividend of DKK 8 per share be paid, DKK 48 million in total, corresponding to a dividend yield of 80 per cent.

# Financial Highlights

| (DKK 1,000) | 2005/2006 | 2004/2005 | *2003/2004 | *2002/2003 | *2001/2002 |
|---|---|---|---|---|---|
| **Earnings** | | | | | |
| Gross revenue | 1,633,524 | 1,753,711 | 1,671,537 | 1,583,082 | 1,460,178 |
| Taxes on beer and soft drinks | (272,231) | (302,029) | (312,719) | (310,959) | (294,507) |
| Revenue | 1,361,293 | 1,451,682 | 1,358,818 | 1,272,123 | 1,165,671 |
| Operating profit (EBIT) | 98,847 | 136,718 | 105,068 | 63,683 | 56,680 |
| Profit before tax | 94,550 | 130,173 | 97,284 | 52,023 | 44,201 |
| Net profit for the year | 65,535 | 86,087 | 64,370 | 32,652 | 64,170 |
| **Balance sheet** | | | | | |
| Non-current assets | 777,159 | 803,009 | 697,372 | 663,817 | 621,159 |
| Current assets | 366,356 | 391,555 | 326,516 | 296,125 | 277,752 |
| Long-term liabilities | 133,266 | 149,311 | 118,999 | 133,861 | 139,634 |
| Short-term liabilities | 332,846 | 425,816 | 303,926 | 286,796 | 260,038 |
| Equity | 677,403 | 619,437 | 486,735 | 398,093 | 365,662 |
| Balance sheet total | 1,143,515 | 1,194,564 | 1,023,888 | 959,942 | 898,911 |
| Interest-bearing debt | 70,420 | 86,347 | 137,227 | 173,555 | 189,668 |
| Net interest-bearing debt | 0 | 0 | 104,191 | 147,982 | 173,398 |
| **Investments etc.** | | | | | |
| Investments in property, plant and equipment | 96,398 | 187,187 | 124,030 | 132,002 | 92,634 |
| Depreciation, amortisation and impairment losses | 100,939 | 95,559 | 95,624 | 89,967 | 86,005 |
| **Cash flows** | | | | | |
| Cash flows from operating activities | 124,799 | 197,386 | 129,420 | 153,041 | 104,606 |
| Cash flows from investing activities | (118,429) | (153,361) | (127,022) | (130,585) | (83,193) |
| Cash flows from financing activities | (17,144) | 44,496 | 22,022 | (14,476) | (15,418) |
| Changes in cash and cash equivalents | (10,774) | 88,521 | 24,420 | 7,980 | 5,995 |

| (DKK 1,000) | 2005/2006 | 2004/2005 | *2003/2004 | *2002/2003 | *2001/2002 |
|---|---|---|---|---|---|
| **Ratios in %** | | | | | |
| Profit margin | 7.3 | 9.4 | 7.7 | 5.0 | 4.9 |
| Return on net assets | 9.2 | 13.1 | 10.9 | 7.0 | 6.5 |
| Return on equity | 10.1 | 15.6 | 14.5 | 8.6 | 19.2 |
| Solvency ratio | 59.2 | 51.9 | 47.5 | 41.5 | 40.7 |
| Gearing | 0.0 | 0.0 | 28.2 | 43.6 | 51.9 |
| Current ratio | 110.1 | 92.0 | 107.4 | 103.9 | 106.8 |
| Return on invested capital | 10.2 | 14.7 | 10.8 | 6.0 | 5.4 |
| **Ratios related to quotation ** ** | | | | | |
| Earnings per share of DKK 10, DKK | 11.0 | 14.8 | 10.7 | 5.4 | 10.7 |
| Cash flow per share of DKK 10, DKK | 21.0 | 34.0 | 21.6 | 25.1 | 17.4 |
| Equity value per share of DKK 10, DKK | 112.9 | 103.2 | 86.0 | 73.7 | 67.7 |
| Share price, year-end | 222.1 | 207.1 | 142.0 | 59.0 | 51.0 |
| Price/earnings | 20.2 | 14.0 | 12.5 | 9.8 | 4.3 |
| Dividend per share of DKK 10, DKK | 8.0 | 1.5 | 1.0 | - | - |
| **Employees** | | | | | |
| Average number of full-time employees | 531 | 624 | 694 | 697 | 677 |

* Financial highlights for 2004/05 and 2005/06 have been prepared in accordance with IFRS, cf. the description in note 1. Comparative figures for 2003/04, 2002/03 and 2001/02 have not been restated in accordance with the changed accounting policies upon the transition to reporting under IFRS, but have been determined in accordance with previous accounting policies based on the provisions of the Danish Financial Statements Act (Årsregnskabsloven) and Danish accounting standards.

** Comparative figures have been restated in accordance with the changed denomination from DKK 100 per share to DKK 10 per share.

The financial highlights have been prepared in accordance with the guidelines issued by the Danish Society of Financial Analysts (Den Danske Finansanalytikerforening) applying the following definitions:

| | |
|---|---|
| Investments: | The year's additions of intangible assets and property, plant and equipment, excl. property, plant and equipment under construction and spare parts |
| Gross margin: | Gross profit expressed as a percentage of revenue |
| Profit margin: | Operating profit/(loss) expressed as a percentage of revenue |
| Return on net assets: | Operating profit/(loss) expressed as a percentage of average operating assets |
| Operating assets: | Balance sheet total at year-end less investments and cash and cash equivalents |
| Return on invested capital: | Operating profit/(loss) less tax in per cent of average invested capital, (equity + minority interests + net interest-bearing debt + provisions - investments) |
| Interest-bearing debt: | Mortgage debt and other credit institutions |
| Interest-bearing debt, net: | Mortgage debt and credit institutions less cash and cash equivalents |
| Return on equity: | Profit/(loss) for the year after tax expressed as a percentage of average equity |
| Solvency ratio: | Equity at year-end expressed as a percentage of balance sheet total, year-end |
| Gearing: | Net interest-bearing debt at year-end expressed as a percentage of equity, year-end |
| Earnings per share (EPS): | Profit/(loss) for the year after tax divided by the average number of shares |
| Cash flow per share: | Cash flows from operations average number of shares |
| Price/earnings: | Share price at year-end divided by the earnings per share |
| Current ratio: | Current assets as a percentage of short-term debt |

The ratios have been computed on the basis of net profit/(loss) for the year along with the year-end balance sheet total and year-end equity.

# **Management's Review** page 8-23

Harboes Bryggeri A/S is listed on the Copenhagen Stock Exchange and is the parent of the Harboe Group.

The group's core business, total gross revenue of which constitutes more than 87 per cent of the total gross revenue of the group, is the production and sale of beer, soft drinks, malt beverages and malt wort products.

The Harboefarm A/S foodstuff company and its sale of centrally packaged fresh and processed meat for the retail sector contributes the remaining 13 per cent of the revenue.

**The Brewery Sector**

Retail shops are the primary market segment for all three breweries – Harboes Bryggeri A/S in Denmark, Darguner Brauerei GmbH in Germany and AS Viru Õlu in Estonia.

The recent years' important investments in the expansion and extension of production facilities in the Brewery Sector have strengthened Harboe's position in the primary markets and have provided product and marketing flexibility as well as optimal utilisation of capacities.

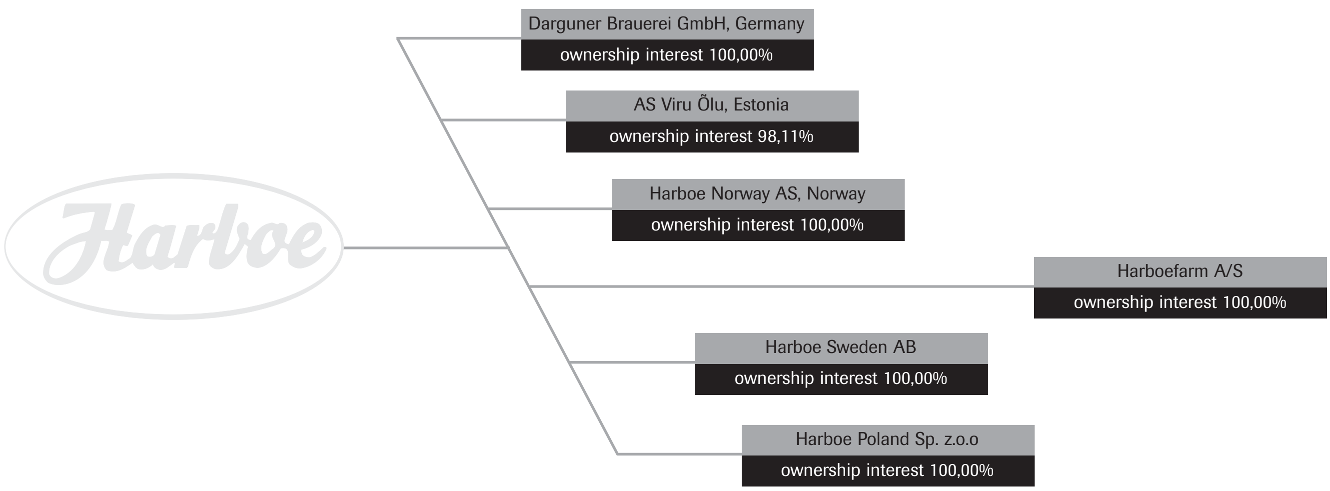
The recent years' considerable investments have created opportunities for further organic growth.

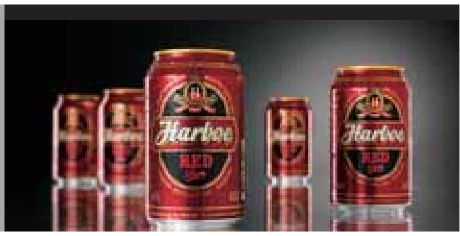
**The Foodstuff Sector**

In the 2005/06 financial year, the foodstuff company Harboefarm A/S went through further restructurings, and the company's average number of employees was reduced by 57 to 27 people.

**Gross revenue**

In 2005/06, gross revenue was DKK 1.63 billion compared with DKK 1.75 billion the year before, a 6.2 per cent drop.






**Earnings**

Operating profit amounted to DKK 98.8 million compared with last year's DKK 136.7 million. This corresponds to an drop of DKK 37.9 million or 27.5 per cent.

Depreciation on property, plant and equipment etc. is included in operating profit with DKK 101.0 million compared with DKK 95.6 million the year before.

Profit before tax was DKK 94.6 million against DKK 130.2 million the year before, a drop of DKK 35.6 million or 27.4 per cent. Profit before tax was in line with the expectations most recently expressed in the interim report for the third quarter of 2005/06 (cf. announcement to the stock exchange of 15 March 2006), when the profit was estimated at DKK 90-100 million.

Net profit after tax for 2005/06 amounted to DKK 65.5 million compared to DKK 86.1 million the year before.

**Income tax**

The tax rate was 30.7 per cent compared with 33.9 per cent last year.

**Equity**

Equity as at 30 April 2006 was DKK 677.4 million compared with DKK 619.4 million the year before. Equity has been increased by the profit for the period less distributed dividend.

**Investments**

Investments in property, plant and equipment for the year totalled DKK 96.4 million, covering expansion and extension of the Brewery Sector.

**Liquidity and net interest-bearing debt**

Cash flows from operating activities amounted to DKK 124.8 million compared with DKK 197.4 million last year. Free cash flows (changes in cash and cash equivalents) amounted to –DKK 10.8 million compared with DKK 88.5 million last year. Cash resources, which are composed of cash and credits granted but not yet activated, amount to DKK 124 million as at 30 April 2006. Added to this is the holding of treasury shares amounting to DKK 11.1 million stated at stock market value as at 30 April 2006.

The net interest-bearing debt was DKK 70.4 million as at 30 April 2006. With cash of DKK 77.6 million as at 30 April 2006, the net interest-bearing debt is DKK 0.
The objective of the group is to expand primarily through organic growth financed for the most part through the company's own funds.

**Financial risks**

As the group's sales and purchases are primarily denominated in EUR, currency risks for the group are considered limited. The company is currently estimating the need for currency hedging, particularly as regards SEK.

**Events occurring after the end of the financial year**

From the balance sheet date to this date, no events have occurred which change the evaluation of the annual report.

# Objectives and Strategy

Within the past five years, the Brewery Sector has undertaken investments worth DKK 592.3 million. In addition to increasing capacity from 4 million hectolitres per year to 7.5 million hectolitres per year at full utilisation of capacity, the investments have enabled the company to enter new product areas and markets, and its high capacity and flexibility have allowed it to enter into strategic trade agreements.

**Production**

Modern and state-of-the-art production facilities are to ensure that the company meets the customers' demands for focused and quick product development and innovation, and ongoing streamlining measures are to ensure that production costs are kept down.

**Market**

The Brewery Sector's core business is focused on the production and sale of beer, soft drinks, malt beverages and malt wort products for the retail sector – particularly within the private label sector on the company's most important markets.

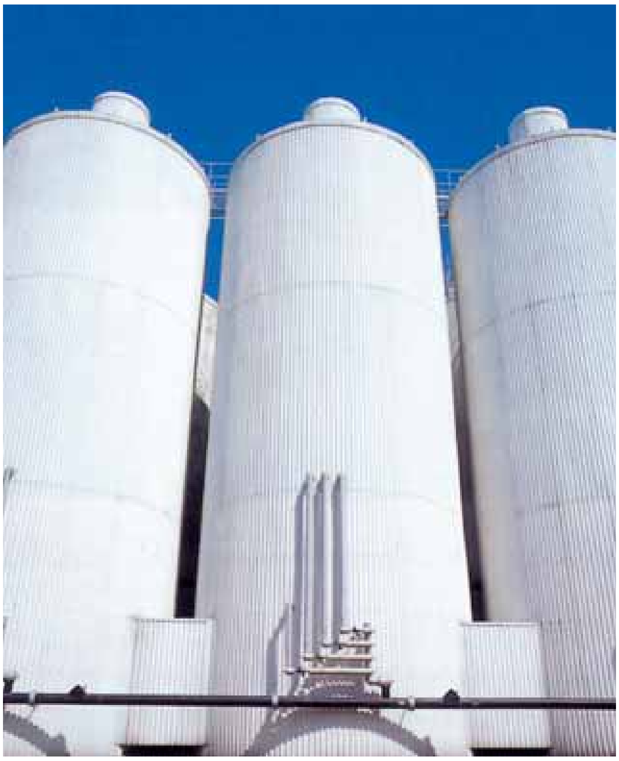
**Products**

The development and introduction of both new products and new packaging are to strengthen the company's status as an attractive supplier.

**Investment**

The company must continue to focus on developing its core business and with the necessary investments ensure the required capacity and a high reliability of delivery.

The company must continue to keep up with developments in important product areas and stay abreast of new production equipment. The investments must be assessed constantly and compared to the opportunities for retention or growth.



**Capital structure**

The group's objective for the capital structure, including dividend policy, is based on a wish to maintain a consistently high level of financial resources that enable an investment level especially in the Brewery Sector, which ensure that the group can adapt to customer and market terms and requirements for products and product ranges continuously and that the group can maintain and enter into new strategic trade agreements to support future organic growth.

It continues to be the group's objective that the financial resources to a great extent must be made up of the company's own funds and that they are flexible enough to allow for:

- Organic growth
- Growth through acquisitions or more partnerships
- Dividend payments
- Possible share buy-back programmes

Taking into account the objective for the capital structure, expected investments and the general development in liquidity, the Board of Directors will endeavour to ensure that distribution of dividend to the shareholders is also proposed in future within the given framework.

At the forthcoming general meeting, the Board of Directors will propose a dividend of DKK 8 per share, corresponding to DKK 48 million.

# Main markets and market conditions

The Brewery Sector's main markets include Denmark, Norway, Sweden, the Baltic countries and Germany, including the Danish-German border area. The company sells its products to the retail sector, mainly within the private label sector.

Overall, the private label share in Europe of total retail sales is estimated at 23 per cent in 2005. The private label share was 19 per cent in 2004, which means that there has been a 20 per cent increase in this sector. In all European countries, the private label share is estimated to be on the rise, due in part to the large retail concentrations and the developments in the discount sector where the private label share is generally very high.

With 30 per cent, Germany is estimated to have the second largest private label share in Europe. Denmark's private label share is estimated at 17 per cent, and Sweden's and Norway's at 14 and 8 per cent.

**Denmark**

Over the past 10 years, beer consumption has been declining in Denmark while soft drink consumption has increased, although a slightly downward trend has been evident in the past years.

Harboes Bryggeri A/S's total beer and soft drink sales rose in 2005/06, and there was a healthy influx of new customers.

**Germany**

During the past couple of years, the German market has been characterised by uncertainty regarding deposit legislation. Darguner Brauerei GmbH's introduction of beer in plastic bottles offered a new sales potential on the German market where the sale of canned beer fell at the same time.

Harboes Bryggeri, Skælskør

Darguner Brauerei, Dargun


The new deposit legislation went into force on 7 May 2006 and applies to beer, fizzy soft drinks, spring water and still products. Implementation of deposit labelling, collection etc. progressed according to plan and has not had any negative effect on sales within the different categories.

Border trade has not yet been included in the new deposit scheme and continues in the current system. Harboes Bryggeri A/S's sectors continue to have a good share of this border trade.

It is estimated that German beer sales have dropped by 3-4 per cent per year, while the soft drink market has grown. The private label share of the retail sector is rising, and in terms of soft drinks the share of private labels went up by 22.6 per cent last year. Today the discount shops' share of soft drinks totals more than 45 per cent.

Darguner Brauerei GmbH's total sales on the German market saw a favourable development in 2005/06 and there was a healthy influx of new customers.

The consolidation in the retail sector and the increased share of private labels create new and attractive growth opportunities for Darguner Brauerei GmbH.

**Sweden**

A downward trend has also been witnessed on the total market for beer in Sweden, while the soft drink market has grown by 5 per cent in one year.

The share of private labels is also increasing on the Swedish market. The Brewery Sector's total sales of beer and soft drinks have developed positively, and today Harboe is a significant factor on the Swedish market.

The foundation that the company has created must, together with good local distributors, ensure that the company exploits the market potential which forms the basis for further expansion and growth.

**The Baltic countries**

The beer market continues to grow in the Baltic countries where beer consumption has tripled in the past 10 years.

The soft drink market is growing, however, it does not appear to have the same growth potential as beer. The company's primary market in the Baltic countries naturally includes Estonia. The retail sector in Estonia is characterised by having many small shops that present a major challenge in terms of distribution.

The chain shop structure is growing and with rising demand for private label products we see a potential for AS Viru Õlu in the coming years.

# Customers

The Brewery Sector's sale of beer and soft drinks is mainly concentrated around the main markets mentioned above. In addition to this, specialty products are being exported to a number of countries which have seen growth in recent years.

The trend in the convenience shop sector is moving towards bigger units and chains. Some of the chains exist in several countries, and some are part of a large European purchasing cooperative. This requires a clear concept for suppliers in the private label sector who can offer a profitable partnership provided the job is carried out satisfactorily.

The opportunities presume a broad and attractive product range where quality is a top priority.

Capacity must be adequate, also during the peak season, and the delivery rate is expected to be first class. Focus on purchasing and efficiency will ensure continued competitiveness in a market where the little things can make the difference.

# Innovation and Product Development

The Brewery Sector's investment programme, which has been running for the past five years, focuses on changed packaging types where a large part of the funds were invested in technical solutions for producing one-way packaging.

Today, Harboes Bryggeri A/S, Darguner Brauerei GmbH and AS Viru Õlu can produce beer and soft drinks in different types of one-way PET packaging. When the German market in the spring of 2003 in connection with the initial measures of deposit legislation basically cancelled all canned beer and soft drinks products, it was crucial to the Brewery Sector that new technology and capacity had already been purchased to enable Darguner Brauerei GmbH as one of the first breweries in Germany to introduce beer, beer-mix products and soft drinks in specially designed one-way PET bottles which guarantee quality. Since then, this segment has seen constant growth. In December 2004, Harboes Bryggeri A/S, as the first Danish manufacturer, introduced soft drinks in 2-litre one-way plastic bottles which meant that the brewery during 2005/06 recalled and destroyed a large number of 1.5-litre returnable plastic bottles. The brewery's share of the joint bottle quantity for this returnable packaging has been recalled, and it is expected that Harboes Bryggeri A/S's return obligation for these bottles will expire altogether on 1 September 2006. The transition to new one-way packaging types has taken place in accordance with the Brewery Sector's strategy of innovation and willingness to change and is without a doubt an investment in the future.


In 2005/06, the company developed a series of new products with flexible packaging solutions that meet the customers' demand for optimum width of assortment in the category.

The Brewery Sector has expanded soft drink production in recent years to include spring water and mineral water. This is a market that is exhibiting positive growth rates everywhere. Furthermore, a number of new products have been introduced in a new trend-setting product category of Aqua Plus products which cover a range of flavoured spring water – apple, pear, peach, blueberry etc. The company expects to expand this market further over the coming years.

With the increased focus on a healthy lifestyle, the company has found it natural to develop a number of diet soft drink products where quality and taste and a large product width have contributed to a positive development in this category. In the beer category, the company has followed current trends and developed a series of specialty products which focus particularly on the darker varieties. In addition, new varieties of beer-mix products have been introduced on the German market in particular, which is a growing market.

Further developments have also taken place in the malt beer category, and new products have been launched and introduced on interesting new markets. This is an area of focus for the company, as it is estimated to have a positive growth potential.

The intensive product development and constant introduction of new products remains a priority for the Brewery Sector and must ensure that its customers are offered a product range which follows or is abreast of market developments.

# Production and Capacity

In 2005/06, the Brewery Sector produced a total of 5.3 million hectolitres of beer and soft drinks bottled in returnable bottles, cans and one-way PET bottles. New production facilities were broken in, but they were not working properly which resulted in additional production and distribution costs of some DKK 20 million.

The work to streamline production has been intense. The necessary organisational adjustments were carried out with a positive result.

The production control system for ensuring optimum use of production capacity provides daily information about key factors such as productivity and efficiency. We have focused on process control which ensures that current production follows the specific production schedule.

By giving our employees the proper training, we make sure that they meet the demands placed on a process operator in a company where technological know-how is paramount.

Responsibility and teamwork ensure that production takes place in accordance with specified process descriptions and financial standards. Quality is monitored and checked using the guidelines set out in the company's certified quality management systems.

The company is constantly exploring new ways to streamline production. Investments which may reduce costs both in the long term and the short term are made on an ongoing basis.

Rising energy prices demand a constant focus on energy consumption, and the purchasing department monitors the price developments on the market.

A central purchasing function must obtain the best possible prices for the entire group based on the company's total purchasing volume.

As a private label supplier, price, quality and reliable deliveries are a constant focus for us which means that production, logistics and distribution are key factors for success. At the start of the new financial year, the company feels that it is ready to take up the challenge.

New business areas and new sales opportunities are assessed on an ongoing basis and ensured through the necessary investments, including investments which are necessitated by changed market conditions.

The future level of investments will be based on requirements for efficiency and growth targets.

# The Brewery Sector – Key Figures

| (DKK 1,000) | 2005/2006 | 2004/2005 | 2003/2004* | 2002/2003* | 2001/2002* |
|---|---|---|---|---|---|
| **Volume (mio. hl.)** | | | | | |
| Beer, soft drinks and malt wort products | 5.31 | 5.15 | 4.46 | 3.96 | 3.50 |
| **Earnings** | | | | | |
| Gross revenue | 1,432,856 | 1,501,369 | 1,416,061 | 1,306,000 | 1,172,904 |
| Taxes on beer and soft drinks | (272,231) | (302.029) | (312,719) | (310,959) | (294,507) |
| Revenue | 1,160,625 | 1,199,340 | 1,103,342 | 995,041 | 878,397 |
| Operating profit | 93,193 | 127,166 | 113,045 | 92,167 | 55,091 |
| Profit before tax | 91,194 | 124,039 | 110,029 | 86,717 | 49,165 |
| Tax on profit for the year | (26,972) | (42,340) | (36,834) | (29,875) | (18,679) |
| Net profit for the year | 64,222 | 81,699 | 73,211 | 56,954 | 34.246 |
| **Balance sheet** | | | | | |
| Non-current assets | 662,109 | 670,590 | 534,361 | 509,550 | 450.058 |
| Current assets | 335,652 | 343,886 | 306,599 | 247,199 | 206,124 |
| Equity | 563,614 | 498,303 | 378,648 | 281,165 | 224,432 |
| Long-term liabilities | 117,615 | 131,030 | 81,882 | 92,155 | 93,681 |
| Short-term liabilities | 316,532 | 385,143 | 266,202 | 242,237 | 204,491 |
| Balance sheet total | 997,761 | 1,014,476 | 840,960 | 756,749 | 656,182 |
| **Investments etc.** | | | | | |
| Investments | 96,274 | 182,374 | 103,014 | 129,242 | 84,490 |
| Depreciations and amortisation | 86,934 | 80,949 | 81,005 | 74,535 | 70,018 |
| **Cash flows** | | | | | |
| Cash flows from operating activities | 110,882 | 171,402 | 95,506 | 160,294 | 111,815 |
| Cash flows from investing activities | (120,779) | (150,693) | (100,663) | (128,997) | (75,985) |
| Cash flows from financing activities | (11,597) | 46,396 | 17,672 | (23,408) | (15,423) |
| Changes in cash and cash equivalents | (21,494) | 67,105 | 13,515 | 7,889 | 20,407 |
| **Ratios** | | | | | |
| Profit margin | 8.0 | 10.6 | 10.2 | 9.3 | 6.3 |
| Return on net assets | 10.1 | 14.6 | 14.7 | 13.5 | 8.6 |
| Return on equity | 12.3 | 19.6 | 22.2 | 22.5 | 16.5 |
| Solvency ratio | 56.5 | 49.1 | 45.0 | 37.2 | 34.2 |
| Gearing | 0.0 | 0.0 | 25.2 | 39.6 | 51.5 |
| Current ratio | 106.0 | 89.3 | 115.2 | 102.0 | 100.8 |
| Return on invested capital | 12.2 | 16.9 | 15.2 | 14.3 | 8.8 |
| **Employees** | | | | | |
| Number of employees | 504 | 540 | 560 | 470 | 440 |

** See explanation on page 7*


# The Brewery Sector


The total sales of beer and soft drinks, including malt beverages and malt wort products, totalled 5.31 million hectolitres in the financial year, corresponding to an increase of 3.3 per cent. 75.3 per cent of the total volume was sold outside Denmark.

In the 2005/06 financial year, the Brewery Sector's share of gross revenue totalled DKK 1.16 billion compared with DKK 1.19 billion the year before. This corresponds to a drop of DKK 38.7 million or 3.2 per cent. Depreciation and amortisation for the year amounted to DKK 86.4 million compared with DKK 80.9 million last year. Depreciation and amortisation has thus increased by DKK 5.5 million.

Investments made in the Brewery Sector totalled DKK 96.4 million and comprised the expansion and extension of production plants and the provision of extra storage capacity. Maintenance investments amounted to approx. DKK 35 million in the financial year.

In the 2005/06 financial year, the Brewery Sector experienced fiercer competition on key markets which is reflected in the revenue, just as a shift in the product mix took place in the 2004/05 financial year.

Delays in the breaking-in and optimisation of new product facilities last summer led to extraordinary production and distribution costs for the parent. The extraordinary costs were approx. DKK 20 million.

Today the facilities supply the guaranteed capacity services which, along with the performed organisational adjustments, will strengthen our competitiveness.

In the 2005/06 financial year, the Brewery Sector employed 504 people compared with 540 in the same period last year. Revenue per employee has risen to DKK 2.3 million.

# The Foodstuff Sector – Key Figures

| (DKK 1,000) | 2005/2006 | 2004/2005 | 2003/2004* | 2002/2003* | 2001/2002* |
|---|---|---|---|---|---|
| **Earnings** | | | | | |
| Revenue | 200,668 | 252,338 | 255,476 | 277,082 | 287,274 |
| Operating profit/(loss) | 5,654 | 9,552 | (7,977) | (28,484) | 1,589 |
| Profit/(loss) before tax | 3,356 | 6,272 | (12,745) | (34,694) | (4,964) |
| Tax on profit/(loss) for the year | (2,043) | (1,883) | 3,941 | 10,403 | 1,459 |
| Tax in respect of previous years | 0 | 0 | (37) | (11) | 33,429 |
| Profit/(loss) for the year | 1,313 | 4,389 | (8,841) | (24,302) | 29,924 |
| **Balance sheet** | | | | | |
| Non-current assets | 126,340 | 146,192 | 163,011 | 154,267 | 171,101 |
| Current assets | 30,704 | 47,669 | 49,722 | 71,618 | 88,318 |
| Equity | 113,789 | 112,476 | 108,087 | 116,928 | 141,230 |
| Long-term liabilities | 26,941 | 32,054 | 37,117 | 41,706 | 45,953 |
| Short-term liabilities | 16,314 | 49,331 | 67,529 | 67,251 | 72,237 |
| Balance sheet total | 157,044 | 193,861 | 212,733 | 225,885 | 259,419 |
| **Investments etc.** | | | | | |
| Investments | 124 | 4,813 | 29,906 | 2,760 | 8,144 |
| Depreciation and amortisation | 14,505 | 15,076 | 14,619 | 15,432 | 16,570 |
| **Cash flows** | | | | | |
| Cash flows from operating activities | 13,857 | 25,984 | 32,914 | (7,252) | (7,209) |
| Cash flows from investing activities | 2,350 | (2,668) | (26,359) | (1,589) | (7,207) |
| Cash flows from financing activities | (5,487) | (1,900) | 4,350 | 8,932 | 5 |
| Changes in cash and cash equivalents | 10,720 | 21,416 | 10,905 | 91 | (14,411) |
| **Employees** | | | | | |
| Number of employees | 27 | 84 | 134 | 227 | 237 |

*See explanation on page 7*


# The Foodstuff Sector

Harboefarm A/S's share of revenue was DKK 200.7 million in 2005/06 compared with DKK 252.3 million the year before.

Harboefarm A/S's share of operating profit was DKK 5.7 million compared with DKK 9.6 million last year.

Profit before tax for 2005/06 was DKK 3.4 million against DKK 6.3 million the year before.

As of the 2005/06 financial year, due to fiercer competition in the Foodstuff Sector, production and organisational changes took place within Harboefarm A/S.

In full agreement with our customers, the company chose to cooperate with foreign manufacturers to introduce wage production to parts of the range. This measure had a satisfactory outcome.

In the beginning of the fourth quarter of 2005/06, competition within Harboefarm A/S's segment of fresh retail products grew even fiercer and for Harboefarm A/S, this resulted in the loss of significant tonnage at short notice.

As a result, further staff reductions were made, which did, however, not become effective until the end of April 2006 – two months later than planned.

Flexible and positive employees have subsequently ensured a high degree of flexibility and efficiency and has contributed to strengthening our competitiveness.

Together with the company's concept of food safety, including an expanded salmonella control system, this has allowed us to expand our partnership with current customers and won us new customers that promise future positive growth.

In the 2005/06 financial year, the company had a total of 27 employees compared with 84 the year before. Revenue per employee rose by DKK 5.4 million to DKK 8.4 million.

# Visions and Expectations

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# Outlook

Increased globalisation has contributed to the creation of large European purchasing organisations which demand large capacity, high quality, reliable deliveries and the best possible prices from their suppliers.

The recent years' investments aimed at new production facilities and the increased capacity of all three breweries has allowed the Brewery Sector to enlarge its strategic platform as an attractive supplier to retail shops in Denmark and abroad.

The Brewery Sector wants to maintain a clear concept in the private label sector which is a growth market for retailers across Europe.

Based on Harboefarm A/S's competitive position on a market where food safety is important, Harboefarm A/S is expected to contribute positively to earnings.

The company has planned investments in the range of DKK 50-70 million for 2006/07. With the company's objective of monitoring developments in key product areas, the investments will be subject to constant assessments and compared with market retention and growth, which could lead to a higher level of investment.

The total consolidated profit before tax for 2006/07 is expected to be in the range of DKK 110-120 million. Cash flow from operating activities for 2006/07 is expected to be in the range of DKK 180-200 million.

Due to a lower level of investment in 2005/06 and based on the positive liquidity status as at 30 April 2006, the Board of Directors propose that a dividend of DKK 8 per share be paid, which corresponds to a dividend rate of 80 per cent.

The company is, as a strategic cooperation partner, committed to keeping up with the development and international trends, which means that a high level of financial resources is decisive in order to be able to make the necessary investments and ensure continued organic growth.


# The Harboe Group's Staff Culture

The Harboe Group has a winner culture where dedicated employees work as a team. Our culture is not based solely on single achievements, but is founded on dialogue and cooperation between people, departments and functions. We believe that this creates a good and sound foundation for motivation, development, respect and thereby also for obtaining the best and most sustainable results. We want to be the best at what we do by cooperating on many fronts. This involves the use of validated personal profiles which are used to obtain a better understanding of our own and other people's attitudes and priorities, and thus offer better opportunities for successful cooperation. This in itself provides greater certainty that we can achieve common goals.

We believe that by offering our employees the best possible conditions, we can create a successful workplace and the best foundation for building a healthy and sustainable company. That is why we give high priority to employee development, among other things. An important part of this development is the employee appraisal interviews we have with all our employees. These interviews are used to create the best possible conditions for developing competencies based on the wishes and needs of each employee.

But we also place demands on our employees, as we must continue to grow and maintain our position as a major supplier. To do this, our employees must be capable, result-oriented and willing to become involved in the changes that a dynamic company brings about.

We want Harboe to be a visionary, attractive and healthy workplace to enable us to attract and retain the best people, ultimately they are the ones that determine the company's success.

# Environmental Information

Within the Brewery Sector as well as within the Foodstuff Sector, we make consistent efforts to optimise resources and reduce the impact on the environment.

In all sectors, goals and plans for the environmental work are continuously being worked out, and the financial resources necessary for environmental improvements are set aside.

Water and energy saving measures form a natural part of capacity and production expansion projects, and when choosing suppliers and cooperation partners, their environmental responsibility is an important aspect.

Within all sectors of the group, systems are constructed to collect and report environmental data in order to focus on areas subject to the most substantial environmental impacts, including the reduction of noise, air let-out and wastewater.

Harboes Bryggeri A/S in Skælskør has its own biological wastewater treatment plant, which has been expanded during the financial year. The breweries in Germany and Estonia have contributed financially to the establishing of public local wastewater treatment plants.

Thus, the framework is created for future expansion – also as regards environmental objectives.

# Information, Management's Statement and Auditors' Report page 24-33

# Shareholder Information

The equity of the company amounts to DKK 60,000,000, distributed on 6,400,000 A-shares and 53,600,000 B-shares. As at 25 October 2005, the share denomination was changed from DKK 100 to DKK 10. When voting on the company's annual general meeting each A-share amount of DKK 10 shall carry 10 votes and each B-share amount of DKK 10 shall carry 1 vote. Only the company's B-shares are listed on the Copenhagen Stock Exchange.

Harboes Bryggeri A/S currently has 3,825 shareholders, an increase of 925 shareholders compared with last year. The registered shareholders represent DKK 57.7 million of the total share capital of DKK 60.0 million, corresponding to 96.2 per cent of the share capital. In the 2005/2006 financial year, the highest and lowest price of the Harboe share was 286 and 206, respectively.

**Composition of shareholders**

As at 30 April 2006, the following shareholders have registered a shareholding exceeding 5 per cent of the share capital in accordance with Section 29 of the Danish Securities Trading Act (Værdipapirhandelsloven)

Kirsten and Bernhard Griese
Holding 13.97 per cent, voting share 52.6 per cent

Bankinvest
Holding 6.35 per cent, voting share 3.3 per cent

**Shareholders**

| | | |
|---|---|---|
| Danish institutional investors | Shareholding | 42.5 per cent |
| Individual Danish investors | Shareholding | 42.5 per cent |
| Foreign investors | Shareholding | 10.4 per cent |
| Harboes Bryggeri A/S – treasury shares | Shareholding | 0.8 per cent |
| Non-registered investors | Shareholding | 3.8 per cent |

**Register of shareholders**

Harboe's register of shareholders is managed by:
VærdiPapircentralen A/S
Helgeshøj Allé 61
DK-2630 Taastrup

Shares can be registered in the name of the shareholder by contacting the depositary bank. Registered shareholders automatically receive the annual report and an invitation to Harboes Bryggeri A/S's annual general meeting.

Harboes Bryggeri A/S is registered in the Copenhagen Stock Exchange's SmallCap+ segment, a registration which has strengthened the liquidity of the share. In the period, trading amounted to a total market value of DKK 706 million, corresponding to an average revenue per day of DKK 2.9 million. A liquidity deposit agreement has been entered with Danske Bank. The revenue level for trade with the company's shares has shown a satisfactory development.


**Investor relations**

With its IR policy, Harboes Bryggeri A/S wants to ensure a high level of information to the shareholders and other stakeholders.

The company aims at establishing open and value-creating communication, which can form the basis of a pricing of the company's shares reflecting the value of the company and its future earnings potential.

Our IR information, which will continue to be developed, is currently based on:

- Quarterly reports
- Annual reports (Danish/English)
- Individual presentations and meetings with stakeholders
- Harboes Bryggeri A/S's website, www.harboes.dk, with related links

During the financial year, Harboes Bryggeri A/S has arranged meetings in Denmark for financial analysts and investors. The company intends to continue to participate in similar activities and meetings this year in order to strengthen the dialogue with its shareholders and investors.

Shareholders, financial analysts and other interested parties are invited to contact the company's IR contacts.

Please do not hesitate to contact us with ideas to ameliorate investor relations.

The Board of Directors recommends to the annual general meeting that a dividend be paid in the amount of DKK 8 per DKK 10 share, equivalent to DKK 48 million.

**Financial calendar 2006/2007**

Harboes Bryggeri A/S expects to announce financial statements as follows:
Interim report for the first quarter of 2006/07:
29 August 2006
Half-year report for 2006/07:
14 December 2006
Interim report for the third quarter of 2006/07:
15 March 2007

The annual general meeting of Harboes Bryggeri A/S will be held on Tuesday, 29 August 2006 in Skælskør, Denmark.

# Announcements to the Stock Exchange

Announcements to the Copenhagen Stock Exchange A/S for the period 1 May 2005 to 30 April 2006:

| Date | Subject |
|---|---|
| 21.03.2006 | Insider trading |
| 15.03.2006 | Quarterly report for the third quarter of 2005/2006 |
| 20.01.2006 | Insider trading |
| 18.01.2006 | Insider trading |
| 13.01.2006 | Insider trading |
| 15.12.2005 | Half-year report for 2005/2006 |
| 27.10.2005 | Financial calendar |
| 20.10.2005 | Announcement from the Copenhagen Stock Exchange |
| 07.10.2005 | Articles of Association |
| 20.09.2005 | Procedure at the extraordinary general meeting |
| 02.09.2005 | Notice of the extraordinary general meeting |
| 24.08.2005 | Procedure at the annual general meeting |
| 23.08.2005 | Quarterly report for the first quarter of 2005/2006 |
| 09.08.2005 | Financial statements |
| 05.08.2005 | Notice of the annual general meeting |
| 07.07.2005 | Announcement of financial statements |
| 23.06.2005 | Announcement |
| 31.05.2005 | Major shareholder announcement |
| 10.05.2005 | Financial calendar |

# Management's Statement

We have today reviewed and adopted the 2005/06 annual report of Harboes Bryggeri A/S.

The annual report has been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and additional disclosure requirements for annual reports of listed companies.

We consider the accounting policies applied expedient for the annual report to provide a true and fair view of the group's and the parent's assets and liabilities, financial standing as at 30 April 2006, and of the results of their activities and cash flows for the 2005/06 financial year.

The annual report is submitted for adoption by the annual general meeting.

Skælskør, 5 July 2006

**Board of Executives**
Bernhard Griese
CEO

**Board of Directors**
Anders Nielsen
Chairman

Bernhard Griese, Preben K. Nielsen, Vibeke Harboe Malling, Kirsten Griese,
Karina Harboe Laursen, Jens Bjarne Jensen *, Anders Wibskov *

** Staff representative*

# Auditors' Report

**To the shareholders of Harboes Bryggeri A/S**
We have audited the annual report of Harboes Bryggeri A/S for the 2005/06 financial year, which has been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and additional Danish disclosure requirements for annual reports of listed companies.

The annual report is the responsibility of the management. Our responsibility is to express an opinion on the annual report based on our audit.

**Basis of opinion**
We conducted our audit in accordance with Danish auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual report is free of material misstatements. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual report. The audit also includes assessing the accounting policies applied and significant estimates made by the management, as well as evaluating the overall annual report presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any qualifications.

**Opinion**
In our opinion, the annual report gives a true and fair view of the assets and liabilities and financial standing as at 30 April 2006 of the group and the parent and of the results of their operations and cash flows for the 2005/06 financial year in accordance with the International Financial Reporting Standards as adopted by the European Union and additional Danish disclosure requirements for annual reports of listed companies.

Slagelse, 5 July 2006

DELOITTE
Statsautoriseret Revisionsaktieselskab

Arne Gøtzsche Pedersen
*State-Authorised Public Accountant*

Freddi Nielsen
*State-Authorised Public Accountant*

# Financial Statements

# Income Statement for 2005/06

| (DKK 1,000) | Group 2005/2006 | Group 2004/2005 | Note |
|---|---|---|---|
| Gross revenue | 1.633,524 | 1,753,711 | |
| Taxes on beer and soft drinks | (272,231) | (302,029) | |
| **Revenue** | **1,361,293** | **1,451,682** | |
| Production costs | (1,081,697) | (1,130,742) | 4 |
| **Gross profit** | **279,596** | **320,940** | |
| Other operating income | 14,678 | 16,149 | 7 |
| Distribution costs | (153,224) | (155,484) | |
| Administrative expenses | (31,216) | (34,015) | |
| Other operating expenses | (10,987) | (10,872) | |
| **Operating profit (EBIT)** | **98,847** | **136,718** | |
| Income from investments in associates | (365) | 317 | 8 |
| Financial income | 2,540 | 1,871 | 9 |
| Financial expenses | (6,472) | (8,733) | 10 |
| **Profit before tax** | **94,550** | **130,173** | |
| Tax on profit for the year | (31,079) | (44,208) | 11 |
| Adjustment of tax in respect of previous years | 2,064 | 121 | 11 |
| **PROFIT FOR THE YEAR** | **65,535** | **86,087** | |
| **Distribution of profit for the year** | | | |
| Parent shareholders | 65,554 | 86,102 | |
| Minority interests | (19) | (15) | |
| **Total** | **65,535** | **86,087** | |
| EPS and diluted EPS (DKK per share of DKK 10) | **11.0** | **14.8** | 12 |

# Balance Sheet - Assets

Group as at 30 April 2006

| (DKK 1,000) | Group 2005/2006 | Group 2004/2005 | Note |
|---|---|---|---|
| Land and buildings | 300,995 | 298,207 | |
| Plant and machinery | 408,140 | 422,862 | |
| Other fixtures and fittings, tools and equipment | 37,529 | 36,855 | |
| Spare parts for own machinery | 6,511 | 6,534 | |
| Property, plant and equipment under construction | 18,486 | 32,928 | |
| **Property, plant and equipment** | **771,661** | **797,386** | 14 |
| Investments in associates | 488 | 853 | 15 |
| Financial assets available for sale | 2,938 | 2,737 | 16 |
| Deposits, leases | 2,072 | 2,033 | |
| **Financial assets** | **5,498** | **5,623** | |
| **NON-CURRENT ASSETS** | **777,159** | **803,009** | |
| **Inventories** | **87,512** | **87,430** | 17 |
| Trade receivables | 190,760 | 204,862 | 18 |
| Receivables from associates | 4,678 | 2,817 | |
| Other receivables | 1,609 | 2,889 | |
| Prepayments | 4,241 | 5,513 | |
| **Receivables** | **201,288** | **216,081** | |
| **Cash** | **77,556** | **88,044** | 19 |
| **CURRENT ASSETS** | **366,356** | **391,555** | |
| **ASSETS** | **1,143,515** | **1,194,564** | |

# Balance Sheet - Liabilities and Equity

Group as at 30 April 2006

| (DKK 1,000) | Group 2005/2006 | Group 2004/2005 | Note |
|---|---|---|---|
| Share capital | 60,000 | 60,000 | 20 |
| Share premium | 51,000 | 51,000 | |
| Reserves | 1,802 | 762 | |
| Retained earnings | 564,179 | 507,234 | |
| **Equity owned by the shareholders of the parent** | **676,981** | **618,996** | |
| **Equity owned by minority interests** | **422** | **441** | |
| **EQUITY** | **677,403** | **619,437** | |
| Mortgage debt | 34,523 | 39,823 | 24 |
| Other credit institutions | 18,707 | 30,500 | 25 |
| Deferred tax liabilities | 48,881 | 47,907 | 22 |
| Deferred income | 31,155 | 31,081 | |
| **Long-term liabilities** | **133,266** | **149,311** | |
| Mortgage debt | 5,410 | 5,224 | 24 |
| Other credit institutions | 11,780 | 10,800 | 25 |
| Trade payables | 154,467 | 212,548 | |
| Repurchase obligation, returnable packaging | 42,933 | 65,363 | 23 |
| Payables to associates | 7,660 | 0 | |
| Income tax | 30,142 | 31,891 | |
| Other payables | 73,079 | 93,228 | 26 |
| Deferred income | 7,375 | 6,762 | |
| **Short-term liabilities** | **332,846** | **425,816** | |
| **LIABILITIES** | **466,112** | **575,127** | |
| **LIABILITIES AND EQUITY** | **1,143,515** | **1,194,564** | |

# Consolidated Cash Flow Statement

| (DKK 1,000) | Group 2005/2006 | Group 2004/2005 | Note |
|---|---|---|---|
| Operating profit (EBIT) | 98,847 | 136,310 | |
| Depreciation, amortisation and impairment losses | 100,805 | 91,342 | |
| Government grants recognised as income | (7,665) | (6,159) | |
| Changes in working capital | (34,598) | 5,318 | 29 |
| **Operating cash flows** | **157,389** | **226,811** | |
| | | | |
| Net interest, dividends, translation adjustments etc. | (3,512) | (5,679) | |
| Income tax paid | (29,078) | (23,746) | |
| **Cash flows from operating activities** | **124,799** | **197,386** | |
| | | | |
| Purchase etc. of property, plant and equipment | (124,663) | (161,200) | |
| Sale of property, plant and equipment | 5,950 | 8,115 | |
| Changes in financial assets available for sale | 284 | (276) | |
| **Cash flows from investing activities** | **(118,429)** | **(153,361)** | |
| | | | |
| Dividend distributed to shareholders of the parent | (9,000) | (6,000) | |
| Repayment/raising of mortgage debt | (16,659) | (18,343) | |
| Investment grant received | 8,515 | 14,164 | |
| Net sale of treasury shares including dividend received | 0 | 54,675 | |
| **Cash flows from financing activities** | **(17,144)** | **44,496** | |
| | | | |
| **Changes in cash and cash equivalents** | **(10,774)** | **88,521** | |
| | | | |
| Cash and cash equivalents as at 1 May 2005 | 88,044 | (425) | |
| Translation adjustment, year-start | 286 | (52) | |
| **CASH AND CASH EQUIVALENTS as at 30 April 2006** | **77,556** | **88,044** | 30 |

# Statement of Equity

Group

| (DKK 1,000) | Share capital | Share premium | Reserve for translation adjustments | Reserve for net revaluation according to the equity method | Reserve for adjustments to fair value of financial assets available for sale | Retained earnings | Equity belonging to the shareholders of the parent | Equity belonging to minority interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| Equity as at 1 May 2004 | 60,000 | 51,000 | 0 | 0 | 0 | 375,735 | 486,735 | 0 | 486,735 |
| Effect of change in accounting policies, cf. note 34 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 456 | 456 |
| Recognition of a repurchase obligation concerning returnable packaging not previously recognised | 0 | 0 | 0 | 0 | 0 | (2,962) | (2,962) | 0 | (2,962) |
| **Adjusted equity as at 1 May 2004** | **60,000** | **51,000** | **0** | **0** | **0** | **372,773** | **483,773** | **456** | **484,229** |
| Translation adjustment of foreign subsidiaries | 0 | 0 | 137 | 0 | 0 | 0 | 137 | 0 | 137 |
| Adjustment to fair value of financial assets available for sale | 0 | 0 | 0 | 0 | 309 | 0 | 309 | 0 | 309 |
| **Recognised directly in equity** | **0** | **0** | **137** | **0** | **309** | **0** | **446** | **0** | **446** |
| Profit/(loss) for the year | 0 | 0 | 0 | 316 | 0 | 85,786 | 86,102 | (15) | 86,087 |
| **Total net income** | **0** | **0** | **137** | **316** | **309** | **85,786** | **86,548** | **(15)** | **86,533** |
| Distributed dividend, cf. note 13 | 0 | 0 | 0 | 0 | 0 | (6,000) | (6,000) | 0 | (6,000) |
| Dividend from treasury shares | 0 | 0 | 0 | 0 | 0 | 341 | 341 | 0 | 341 |
| Sale of treasury shares, cf. note 21 | 0 | 0 | 0 | 0 | 0 | 54,334 | 54,334 | 0 | 54,334 |
| **Equity as at 30 April** | **60.000** | **51.000** | **137** | **316** | **309** | **507.234** | **618.996** | **441** | **619.437** |
| Translation adjustment of foreign subsidiaries | 0 | 0 | 1,001 | 0 | 0 | 0 | 1,001 | 0 | 1,001 |
| Adjustment to fair value of financial assets available for sale | 0 | 0 | 0 | 0 | 355 | 0 | 355 | 0 | 355 |
| **Recognised directly in equity** | **0** | **0** | **1,001** | **0** | **355** | **0** | **1,356** | **0** | **1,356** |
| Profit/(loss) for the year | 0 | 0 | 0 | (316) | 0 | 65,870 | 65,554 | (19) | 65,535 |
| **Total net income** | **0** | **0** | **1,001** | **(316)** | **355** | **65,870** | **66,910** | **(19)** | **66,891** |
| Distributed dividend, cf. note 13 | 0 | 0 | 0 | 0 | 0 | (9,000) | (9,000) | 0 | (9,000) |
| Dividend from treasury shares | 0 | 0 | 0 | 0 | 0 | 75 | 75 | 0 | 75 |
| **Equity as at 30 April 2006** | **60,000** | **51,000** | **1,138** | **0** | **664** | **564,179** | **676,981** | **422** | **677,403** |

# Notes Overview - Group

# Notes

1 **Accounting policies**

The 2005/06 annual report for Harboes Bryggeri A/S, which includes both the financial statements of the parent and the consolidated financial statements, is prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and additional Danish disclosure requirements for annual reports of listed companies, cf. the disclosure requirements of the Copenhagen Stock Exchange for annual reports of listed companies and the IFRS Executive Order issued in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

The annual report is prepared in Danish kroner (DKK), which is regarded as the main currency of the group's activities and the functional currency of the parent.

The annual report is prepared on the basis of historic cost, except for certain financial assets and liabilities which are measured at fair value. Accounting policies are described in further detail below.

**Changes in accounting policies resulting from a transition to IFRS**

The 2005/06 annual report is the first annual report prepared in accordance with IFRS. IFRS has been applied to both the financial statements of the parent and the consolidated financial statements.

Upon the transition to IFRS, IFRS 1, First-time adoption of IFRS, has been applied. According to this, the opening balance sheet of 1 May 2004 and the comparative figures for 2004/05 have been prepared in accordance with the standards and interpretations in force as at 30 April 2006. The opening balance sheet as at 1 May 2004 has been prepared as if these standards and interpretations have always been applied, except in cases where the special transitional and commencement provisions of IFRS 1 described below apply.

The transition to preparing the financial statements and consolidated financial statements under IFRS has made it necessary to change the accounting policies in respect of recognition and measurement in the following areas:
- Financial assets available for sale (listed securities)
- The parent's measurement of investments in subsidiaries and associates

The general rule for dealing with changes in the accounting policies is that the annual report in the year of change must be prepared retroactively as if the company had always applied the new accounting policies, including the restating of comparative figures. When performing the transition to IFRS, IFRS 1 does, however, state a number of mandatory and optional exceptions to this general rule.

The following mandatory exceptions have been applied to the Harboe Group:
- Accounting estimates made in previous financial years have not been reassessed upon the transition to IFRS. Only erroneous, previously made estimates have been corrected in the opening balance sheet with a set-off directly in equity.

The Harboe Group has applied the following optional exceptions stated in IFRS 1:
- Exchange rate differences recognised under equity when translating foreign subsidiaries have been zeroed in the opening balance sheet which means that only translation differences occurring after 1 May 2004 have been stated as a reserve under equity.

In addition to changes regarding recognition and measurement, the presentation and classification of items have been changed for the following areas as a result of the transition to IFRS:
- Minority interests which are presented as a part of consolidated equity.
- Provisions which are distributed on to short-term and long-term liabilities.
- Cash discounts are recognised under production costs.
- The profit/(loss) of associates is presented as a net item after tax in the consolidated income statement.

# Notes

1 **Accounting policies, continued**

The financial effect of the changes in the accounting policies as a result of the transition to IFRS as well as recognition of a repurchase obligation not previously recognisedcan be specified as follows:

| Group (DKK 1,000) | Equity 01.05.2004 | Equity 30.04.2005 | Income statement 2004/05 |
|---|---|---|---|
| Amounts in accordance with the 2004/05 annual report prepared according to previous accounting policies | 486,735 | 621,958 | 86,396 |
| *Effect of transition to IFRS:* | | | |
| Adjustment to fair value of financial assets available for sale (listed securities) recognised directly in equity | | | (309) |
| Recognition of a not previously recognised repurchase obligation, returnable packaging | (4,626) | (4,626) | |
| The effect of the changes on deferred tax | 1,664 | 1,664 | |
| Share of minority interests | 456 | 441 | |
| **Amounts calculated under IFRS** | **484,229** | **619,437** | **86,087** |

| Parent (DKK 1,000) | Equity 01.05.2004 | Equity 30.04.2005 | Income statement 2004/05 |
|---|---|---|---|
| Amounts in accordance with the 2004/05 annual report prepared according to previous accounting policies | 486,735 | 621,958 | 86,411 |
| *Effect of transition to IFRS:* | | | |
| Measurement of investments in subsidiaries at cost | (136,530) | (188,794) | (52,126) |
| Adjustment to fair value of financial assets available for sale (listed securities) recognised directly in equity | | | (309) |
| **Amounts calculated under IFRS** | **350,205** | **433,164** | **33,976** |

The financial implications of the changed accounting policies are described in further detail in note 34, including explanatory reconciliations between previous accounting policies and IFRS.

**Standards and interpretations which have not become effective**

The implementation of accounting standards and interpretations which have not become effective, are not expected to have any significant impact on the annual report.

**Consolidated financial statements**

The consolidated financial statements comprise Harboes Bryggeri A/S (the parent) and the companies (subsidiaries) in which the parent has a controlling interest. Control is achieved when the parent, directly or indirectly, holds more than 50 per cent of the voting rights or in any other way can or does exercise a controlling influence.

Enterprises in which the parent, directly or indirectly, holds between 20 and 50 per cent of the voting rights and exercises a significant, but not controlling, influence, are considered to be associates.

*Basis of consolidation*

The consolidated financial statements have been prepared on the basis of financial statements of Harboes Bryggeri A/S and its subsidiaries. The consolidated financial statements are prepared by adding items of a similar nature. The financial statements used for the consolidation are prepared in accordance with the accounting policies of the group.

The consolidation involves the elimination of intra-group income and expenses, intra-group balances, dividends as well as profits and losses on transactions between the consolidated enterprises.

The items of the subsidiaries are recognised wholly in the consolidated financial statements. The minority interests' proportionate share of the profit/loss forms part of the consolidated profit/loss and a separate part of the consolidated equity.

*Profit or loss from the divestment or winding-up of subsidiaries*

Profit or loss from the divestment or winding-up of subsidiaries is calculated as the difference between the selling price or settlement price and the carrying amount of the net assets at the time of divestment or winding-up, inclusive of goodwill, accumulated translation adjustments recognised directly in equity and estimated costs of divestment or winding-up. The selling price is measured at fair value of the fee received.

# Notes

1 **Accounting policies, continued**

**Translation of foreign currency**

On initial recognition, transactions in currencies other than the group's functional currency are translated at the exchange rate of the date of transaction. Receivables, liabilities or other monetary items denominated in foreign currencies that have not been settled at the balance sheet date, are translated at the exchange rate at the balance sheet date. Exchange rate differences arising between the exchange rate at the date of transaction and the exchange rate at the date of payment and the balance sheet date, respectively, are recognised in the income statement as net financials. Property, plant and equipment, inventories and other non-monetary assets purchased in foreign currencies and measured on the basis of historic cost are translated at the exchange rate at the date of transaction. Non-monetary items which are reassessed at fair value, are translated using the exchange rate at the time of reassessment.

When recognising enterprises that prepare their financial statements in a functional currency other than Danish kroner (DKK) in the consolidated financial statements, the income statements are translated at average exchange rates unless these deviate significantly from the actual exchange rates at the time of the transactions. In the latter case, the actual exchange rates are used. Balance sheet items are translated using the exchange rates applicable at the balance sheet date.

Exchange rate differences arising from the translation of foreign enterprises' balance sheet items at the beginning of the year using the exchange rates applicable at the balance sheet date and the translation of income statements from average exchange rates to the exchange rates applicable at the balance sheet date are recognised directly in equity. Similarly, exchange rate differences, which have occurred as a result of changes made directly in the foreign enterprise's equity, are also recognised directly in equity.

The translation adjustments of receivables from or payables to subsidiaries, which are considered part of the parent's overall investment in the subsidiary in question, are recognised directly in equity.

**Taxation**

Tax for the year, which is made up of current tax for the year and changes in deferred tax, is recognised in the income statement with the portion attributable to the net profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity. Translation adjustments of deferred tax are recognised as part of the adjustments of deferred tax for the year.

Current tax liabilities and current tax receivable are recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

The tax rates and rules in force on the balance sheet date are used to compute the current tax for the year.

Deferred tax is recognised according to the balance sheet liability method of all temporary differences between the carrying amount and tax base of assets and liabilities, except for deferred tax on temporary differences arising from either the first recognition of goodwill or from the first recognition of a transaction, which is not a merger of companies, and where the temporary difference established at the time of the first recognition neither affects the net profit/loss nor the taxable income.

Deferred tax on temporary differences associated with investments in subsidiaries and associates are recognised, unless the parent is able to check when the deferred tax is realised, and it is likely that the deferred tax will not materialise as current tax within a foreseeable future.

Deferred tax is calculated on the basis of the planned use of the individual asset and the settlement of the individual liability.

Deferred tax is measured by using the tax rates and rules applying in the countries concerned which – based on passed or actually passed legislation on the balance sheet date – are expected to be in force when the deferred tax materialises as current tax. Changes in deferred tax due to changes in tax rates or rules are recognised in the income statement unless the deferred tax can be attributed to items that have previously been recognised directly in equity. In the latter case, the changes are also recognised directly in equity.

Deferred tax assets, including the tax base of tax losses to be carried forward, are recognised in the balance sheet at the expected realisable value of the asset, either by offsetting against deferred tax liabilities or as net tax assets for offsetting against future positive taxable incomes. On each balance sheet date, it is re-assessed whether it is probable that enough taxable income will be generated in future to utilise the deferred tax asset.

The parent is taxed jointly with all the Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed Danish companies in proportion to their taxable incomes.

**Income statement**

*Revenue*

Revenue from the sale of finished products and goods for resale are recognised in the income statement on delivery and when risk has passed to the buyer.

Revenue is measured at fair value of the received or receivable fee. If any interest-free credit has been agreed for payment of the receivable fee that exceeds the usual credit period, the fair value of the fee is calculated by discounting future payments. The difference between the fair value and the nominal value of the fee is recognised as financial income in the income statement using the effective interest rate method.

Revenue is calculated exclusive of VAT, taxes etc. which are levied on behalf of a third party.

# Notes

## 1 Accounting policies, continued

*Production costs*
Production costs comprise costs incurred to generate revenue. In production costs, trading companies recognise the cost of sales, while production companies recognise the costs of raw materials, consumables, production staff, maintenance and depreciation and impairment of property, plant and equipment used in the production process as well as returnable packaging and adjustments of the obligation to repurchase own packaging.
Production costs also include costs pertaining to research and development projects, which do not meet the criteria for recognition in the balance sheet.

*Distribution costs*
Distribution costs represent costs incurred for the distribution of goods sold and for marketing campaigns, including pay for sales and distribution staff, advertising expenses, depreciation and impairment of the property, plant and equipment used in the distribution process.

*Administrative expenses*
Administrative expenses include expenses incurred to manage and administer the group, including administrative staff costs, management costs and office expenses as well as depreciation and impairment of the property, plant and equipment used to manage the group.

*Other operating income and expenses*
Other operating income and expenses include income and expenses of a secondary nature in relation to the group's main activities, including grants for plants and rental income as well as gains and losses from the sale of non-current assets (property, plant and equipment) if the selling price of the assets exceeds the original cost.

*Government grants*
Government grants are recognised when there is reasonable assurance that the conditions for receiving the grant have been met, and that the grant will be received.
Grants for covering costs incurred are recognised in the income statement proportionately over the periods in which the associated costs are recognised in the income statement. The grants are recognised under the item Other operating income.
Government grants which are linked to an asset are recognised as deferred income under long-term and short-term liabilities, respectively, and amortised over the amortisation period.

*Net financials*
Net financials include interest income and interest expenses, realised and unrealised capital gains and losses on securities, liabilities and transactions in foreign currencies, amortisation premiums/deductions on mortgage debt etc., as well as supplementary payments and allowances under the Danish On-Account Tax Prepayment Scheme (Acontoskatteordningen).
Interest income and interest expenses are accrued on the basis of the principal and the effective interest rate. The effective interest rate is the discount rate that is to be used to discount expected future payments which are linked to the financial assets or the financial liability to make sure that their current values correspond to the carrying amount of the asset and the liability, respectively.
Dividend from investments are recognised when a conclusive right to the dividend has been obtained. This will typically be at the time of the general meeting's approval of the distribution from the company in question. However, in the consolidated financial statements this does not apply to investments in associates which are measured according to the equity method, cf. below.

**Balance sheet**
*Property, plant and equipment*
Land and buildings, plant and machinery together with other fixtures and fittings, tools and equipment and spare parts for own machinery are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.
The cost comprises the acquisition price, costs related directly to the acquisition and costs relating to the preparation of the asset up until such time as the asset is ready for use. For own-manufactured assets the cost includes costs which can be related directly to the production of the asset, including materials, components, subsuppliers and wages.
If the acquisition or use of the asset obliges the group to incur costs for the demolition or re-establishment of the asset, the estimated costs for such demolition or re-establishment are recognised as a provision and a part of the cost of the asset in question, respectively. If the obligation occurred in connection with the production of inventories, the obligation is recognised as a part of the cost of the goods in question, cf. below.
The cost of the asset less the residual value shall constitute the basis of depreciation. The residual value is the expected amount that could be obtained by selling the asset today less sales costs, if the asset had already reached the age and the condition that is to be expected at the end of its useful life. The cost of a total asset is divided into smaller components, which are depreciated separately if they have different useful lives.
Depreciation is according to the straight-line method on the basis of the following assessment of the expected useful lives of the assets:

| | |
|---|---|
| Buildings | 10 - 50 years |
| Plant and machinery | 5 - 25 years |
| Other fixtures and fittings, tools and equipment | 3 - 15 years |
| Returnable packaging | 3 - 8 years |

Depreciation methods, useful lives and residual values are reassessed on an annual basis.
Property, plant and equipment are impaired to the lower of recoverable amount and carrying amount, cf. below.

# Notes

## 1 Accounting policies, continued

*Impairment of property, plant and equipment*

The carrying amounts of property, plant and equipment are reviewed on the balance sheet date to determine whether there are any indications of impairment loss. If this is the case, the recoverable amount of the asset is assessed to determine the need for any impairment and the extent of such impairment.

If the asset does not generate cash flows independently of other assets, the recoverable amount of the smallest cash flow-generating unit that the asset is part of is assessed.

The recoverable amount is calculated as the highest value of the fair value of the asset and the cash flow-generating unit less sales costs and the value in use. When the value in use is calculated, estimated future cash flows are discounted to present value by using a discount rate which reflects both current market assessments of the time value of money and the special risks that are linked to the asset and the cash flow-generating unit, and for which there have been no adjustments in estimated future cash flows.

If the recoverable amount of the asset and the cash flow-generating unit is estimated to be lower than the carrying amount, the carrying amount is impaired to the recoverable amount. For cash flow-generating units the impairment is distributed so that goodwill is amortised first, then any remaining need for impairment is distributed on to the other assets in the unit, as the individual asset is not, however, impaired to a value which is lower than its fair value less estimated sales costs.

Impairment losses are recognised in the income statement. Upon any subsequent reversals of impairment losses due to changed preconditions for the determined recoverable amount, the carrying amount of the asset and the cash flow-generating unit is increased up to a corrected estimate of the recoverable amount, however, the maximum being the carrying amount which the asset or the cash flow-generating unit would have had if there had been no impairment.

*Investments in subsidiaries and associates in the parent's financial statements*

Investments in subsidiaries and associates are measured at cost in the parent's financial statements.

If the cost exceeds the recoverable amount of the investments, this is impaired to a lower amount. The cost is also impaired if more dividend is distributed than has overall been earned by the enterprise since the acquisition.

*Investments in associates in the consolidated financial statements*

Investments in associates are recognised and measured in the consolidated financial statements according to the equity method. This means that the investments are measured at the proportionate share of the enterprise's determined equity value, determined according to the group's accounting policies, deducting and adding proportionate intercompany profits and losses.

The proportionate share of the enterprises' profit/loss after tax and elimination of unrealised proportionate intercompany profits and losses are recognised in the income statement. The proportionate share of all transactions and events recognised directly in the associate's equity is recognised in the consolidated equity.

Investments in associates with a negative equity value are measured at DKK 0. Receivables and other non-current financial assets which are considered to be part of the overall investment in the associate are impaired by any remaining negative equity value. Trade receivables and other receivables are only impaired if they are deemed to be uncollectible.

Only a provision to cover the remaining negative equity value is recognised, if the group has a legal or an actual obligation to fulfil the particular enterprise's obligations.

The acquisition method is used for making investments in associates.

*Inventories*

Inventories are measured at the lower of cost applying the FIFO method or net realisable value.

The cost of goods for resale, raw materials and consumables comprise the acquisition price plus landing costs. The cost of manufactured goods and work in progress includes costs of raw materials, consumables and direct labour costs as well as fixed and variable indirect production costs. This includes costs for the demolition or re-establishment of property, plant and equipment, if such costs have occurred due to the production of goods.

Variable indirect production costs include indirect materials and pay and are distributed on the basis of precalculations for the produced goods. Fixed indirect product costs include costs for maintaining and depreciating machinery, buildings and equipment used in the production process and general costs for factory administration and management. Fixed production costs are distributed on the basis of the normal capacity of the production facilities.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sales.

*Receivables*

On initial recognition, receivables are measured at fair value and subsequently at amortised cost, which usually corresponds to nominal value less write-downs for expected losses.

# Notes

## 1 Accounting policies, continued

*Prepayments*
Prepayments under assets comprise costs incurred in respect of the coming financial year. Prepayments are measured at cost.

*Financial assets available for sale*
Securities recognised under non-current assets include listed securities available for sale.

On initial recognition, the securities are measured at fair value on the day of trading plus directly attributable costs of the purchase. The securities are subsequently measured at fair value on the balance sheet date, and any changes in the fair value are recognised in equity. When the securities are sold or settled, the accumulated fair value adjustments are recognised in the income statement.

The fair value is determined at the share price of listed securities and at an estimated fair value determined on the basis of market information.

*Dividend*
Dividend is recognised as a liability at the time of adoption by the general meeting.

*Treasury shares*
Acquisition and selling prices of treasury shares and dividend obtained from them are recognised directly in equity under retained earnings.

*Pension obligations etc.*
The group has entered into defined contribution plan agreements with a significant part of the employees of the group. Except for a pension plan created for a single employee, which is insignificant in relation to the group's total obligations, the group has entered into no defined benefit plans.

For defined contribution plans, the group pays regular, fixed contributions to independent pension companies and the like. The contributions are recognised in the income statement in the period in which the employees have performed the work entitling them to the pension contribution. Payments due are recognised in the balance sheet as liabilities.

*Provisions*
Provisions are recognised when the group has a legal or actual obligation as a result of events occurring in the financial year or previous years, and when it is likely that the fulfilment of this obligation will impact the company's financial resources.

Provisions are measured as the best possible estimate of the costs required to settle the liabilities at the balance sheet date. Provisions expected to fall due more than one year after the balance sheet date are measured at present value.

The obligation to repurchase own packaging in circulation is measured at the deposit price on the basis of the estimated volume of circulating bottles, cans, crates and trays and is recognised as a repurchase obligation under short-term liabilities.

*Mortgage debt*
Mortgage debt is measured at cost at the time of borrowing, corresponding to the fair value of the proceeds received less transaction costs incurred. Subsequently, mortgage debt is measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the amount to be repaid is recognised in the income statement over the term of the loan as a financial expense using the effective interest rate method.

*Lease commitments*
Lease commitments in respect of operating leases are recognised according to the straight-line method in the income statement over the term of the lease.

*Other financial liabilities*
On initial recognition, other financial liabilities, including bank debt and trade payables, are measured at fair value. Subsequently, such liabilities are measured at amortised cost using the effective interest rate method. Accordingly, the difference between the proceeds and the nominal value is recognised as a financial expense in the income statement over the term of the loan.

*Deferred income*
Deferred income recognised under liabilities comprises income received in respect of subsequent financial years as well as asset-related government grants. Deferred income is measured at cost.

# Notes

1 **Accounting policies, continued**

### Cash flow statement

The cash flow statement is presented using the indirect method, showing cash flows from operating, investing and financing activities as well as the cash and cash equivalents at the beginning and end of the financial year.

Cash flows from operating activities are determined as the operating profit/(loss), adjusted for non-cash operating items and changes in working capital less income tax paid in the financial year which is attributable to the operating activities.

Cash flows from investing activities comprise payments in connection with the purchase and sale of enterprises and financial assets as well as the purchase, development, improvement and sale etc. of intangible assets and property, plant and equipment. Furthermore, cash flows from assets held under finance leases are recognised in the form of lease payments.

Cash flows from financing activities comprise changes in the share capital of the parent and costs incidental thereto as well as the raising and repayment of loans, repayment of interest-bearing debt, purchase of treasury shares and distribution of dividend.

Cash flows denominated in other currencies than the functional currency are recognised in the cash flow statement by applying average exchange rates, unless such rates deviate materially from the exchange rates applicable at the time of transaction. In the latter case, the exchange rates applicable at the individual dates are used.

Cash and cash equivalents comprise cash and short-term securities involving insignificant price risks less any overdraft facilities which are an integrated part of the cash management.

### Segment information

Segment information is stated for business segments (primary segmentation) and geographical markets (secondary segmentation). The segment information complies with the risks, accounting policies and internal financial management of the group.

Segment income and expenses as well as segment assets and liabilities comprise the items which are directly attributable to the individual segment, and the items which may reliably be distributed on the individual segments. Non-distributed items primarily concern assets and liabilities as well as income and expenses related to the administrative functions, investing activities, income taxes etc. of the group.

Non-current assets in the segments comprise assets which are used directly in the operation of the individual segment, including intangible assets and property, plant and equipment as well as investments in associates.

Short-term assets in the segments comprise assets which are directly related to the operation of the individual segment, including inventories, trade receivables, other receivables, prepayments and cash.

Liabilities related to the segments comprise liabilities arising from the operation of the individual segment, including trade payables, provisions and other payables.

### Financial highlights

The financial highlights have been defined and calculated in accordance with “Recommendations and Ratios 2005” from the Danish Society of Financial Analysts (Den Danske Finansanalytikerforening), the specific definitions being:

| | |
|---|---|
| Investments: | The year’s additions of intangible assets and property, plant and equipment, excl. property, plant and equipment under construction and spare parts |
| Gross margin: | Gross profit in per cent of revenue |
| Profit margin: | Operating profit/(loss) (EBIT) in per cent of revenue |
| Return on net assets: | Operating profit/(loss) (EBIT) in per cent of average operating assets |
| Operating assets: | Balance sheet total at year-end less financial assets and cash |
| Return on invested capital: | Operating profit/(loss) (EBIT) less tax thereon in per cent of average invested capital (equity + minority interests + net interest-bearing debt + provisions – financial assets) |
| Interest-bearing debt: | Mortgage debt and other credit institutions |
| Net interest-bearing debt: | Mortgage debt and other credit institutions less cash and cash equivalents |
| Return on equity: | Net profit/(loss) for the year after tax in per cent of average equity |
| Solvency ratio: | Equity at year-end in per cent of the balance sheet total at year-end |
| Gearing: | Interest-bearing debt at year-end in per cent of equity at year-end |
| Earnings per share (EPS): | Net profit/(loss) for the year after tax divided by the average number of shares |
| Cash flow per share: | Cash flows from operating activities divided by the average number of shares |
| Price/earnings: | Share price at year-end divided by earnings per share |
| Current ratio: | Current assets in per cent of short-term liabilities |

The ratios have been computed on the basis of net profit/(loss) for the year along with the year-end balance sheet total and year-end equity.

The computation of earnings per share and diluted earnings per share is specified in note 12.

# Notes

## 2 Significant accounting estimates, assumptions and uncertainties

Many items cannot be reliably measured, but can only be estimated. Such estimates include assessments made on the basis of the most recent information available at the time of presenting the financial statements. It may be necessary to change previously made estimates due to changes in the circumstances, on which the estimate was based, or due to additional information, additional experience or subsequent events.

**Significant accounting estimates, assumptions and uncertainties**

In connection with the application of the accounting policies described in note 1, the management has made a number of accounting estimates on the recognition and measurement of certain assets and liabilities. The recognition and measurement of assets and liabilities often depend on future events involving a certain amount of uncertainty. In this context, a course of events, or the like, reflecting the management's assessment of the most probable course of events must be assumed. In the 2005/06 annual report, especially assumptions and uncertainties related to accounting estimates of impairment tests of property, plant and equipment and financial assets, determination of the repurchase obligation concerning returnable packaging as well as assessment of contingent liabilities should be noted as they have had a significant influence on the assets and liabilities recognised in the annual report and may require corrections to be made in subsequent financial years if the assumed courses of events do not materialise as expected.

## 3 Segment information for the group

**Primary segmentation**

As regards management and reporting, the group is divided into two business segments. This is regarded as the primary segmentation of the group.

The activities of the two business segments comprise:

| | |
|---|---|
| The Brewery Sector: | Production and sale of beer, soft drinks, malt beverages and malt wort products |
| The Foodstuff Sector: | Processing and sale of foodstuffs |

| Group (DKK 1,000) | Brewery Sector 2005/06 | Foodstuff Sector 2005/06 | Group 2005/06 | Brewery Sector 2004/05 | Foodstuff Sector 2004/05 | Group 2004/05 |
|---|---|---|---|---|---|---|
| **Income statement** | | | | | | |
| Gross revenue | 1,432,856 | | | 1,501,369 | | |
| Taxes on beer and soft drinks | (272,231) | | | (302,029) | | |
| **Revenue** | **1,160,625** | **200,668** | **1,361,293** | **1,199,340** | **252,342** | **1,451,682** |
| Operating profit (EBIT) | 93,193 | 5,654 | 98,847 | 127,166 | 9,552 | 136,718 |
| Share of profit/(loss) in associates | 0 | (365) | (365) | 0 | 317 | 317 |
| Financial income | 2,247 | 293 | 2,540 | 1,556 | 316 | 1,872 |
| Financial expenses | (4,246) | (2,226) | (6,472) | (4,683) | (4,050) | (8,733) |
| **Profit before tax** | **91,194** | **3,356** | **94,550** | **124,039** | **6,135** | **130,174** |
| Tax on profit for the year | (26,972) | (2,043) | (29,015) | (42,340) | (1,747) | (44,087) |
| **Net profit for the year** | **64,222** | **1,313** | **65,535** | **81,699** | **4,388** | **86,087** |
| Balance sheet | | | | | | |
| Non-current segment assets | 662,109 | 115,050 | 777,159 | 670,590 | 132,419 | 803,009 |
| Current segment assets | 335,652 | 30,704 | 366,356 | 343,886 | 47,669 | 391,555 |
| **Assets** | **997,761** | **145,754** | **1,143,515** | **1,014,476** | **180,088** | **1,194,564** |
| Long-term segment liabilities | 117,615 | 15,651 | 133,266 | 131,030 | 18,282 | 149,312 |
| Short-term segment liabilities | 316,532 | 16,314 | 332,846 | 385,143 | 40,673 | 425,816 |
| **Liabilities** | **434,147** | **31,965** | **466,112** | **516,173** | **58,955** | **575,128** |

# Notes

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### 3. Segment information for the group, continued

| Group (DKK 1,000) | Brewery Sector 2005/06 | Foodstuff Sector 2005/06 | Group 2005/06 | Brewery Sector 2004/05 | Foodstuff Sector 2004/05 | Group 2004/05 |
|---|---|---|---|---|---|---|
| **Investments etc.** | | | | | | |
| Additions of property, plant and equipment | 115,806 | 434 | 116,240 | 217,577 | 4,813 | 222,390 |
| Depreciation (incl. profit/ loss) | 86,857 | 14,653 | 101,510 | 76,447 | 14,926 | 91,373 |
| | | | | | | |
| Cash flows | | | | | | |
| Cash flows from operating activities | 110,882 | 13,917 | 124,799 | 171,402 | 25,984 | 197,386 |
| Cash flows from investing activities | (120,779) | 2,350 | (118,429) | (150,693) | (2,668) | (153,361) |
| Cash flows from financing activities | (11,597) | (5,547) | (17,144) | 46,396 | (1,900) | 44,496 |
| Change in cash and cash equivalents | (21,494) | 10,720 | (10,774) | 67,105 | 21,416 | 88,521 |

Reference is made to pages 2-27 of the management's review for a presentation of the five-year overview of the segments and comments on the developments in the financial year.

The activities of the group are primarily located in Denmark and the rest of Northern Europe.

The table below shows the group's sale of goods etc. distributed on geographical markets. On distribution, account is taken of the market area.

| Group (DKK 1,000) | 2005/06 | 2004/05 |
|---|---|---|
| Revenue, home market | 511,278 | 565,730 |
| Revenue, exports | 850,015 | 885,952 |
| **Total** | **1,361,293** | **1,451,682** |

The table below shows the carrying amounts and additions in the year of property, plant and equipment, distributed on geographical areas on the basis of the physical location of the assets.

| | Carrying amounts of non-current assets (property, plant and equipment) | | Additions of non-current assets (property, plant and equipment) | |
|---|---|---|---|---|
| Group (DKK 1,000) | 2005/06 | 2004/05 | 2005/06 | 2004/05 |
| Home market | 465,854 | 496,997 | 40,675 | 141,460 |
| Exports | 305,807 | 300,389 | 75,565 | 80,930 |
| **Total** | **771,661** | **797,386** | **116,240** | **222,390** |

4

| Group (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|
| **Production costs** | | |
| Cost of sales | 938,637 | 991,090 |
| Depreciation, amortisation and impairment losses, cf. note 6 | 90,692 | 80,524 |
| Other production costs | 52,368 | 59,128 |
| **Total** | **1,081,697** | **1,130,742** |

# Notes

| 5 | Group (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|---|
| | **Staff expenses** | | |
| | Remuneration of the Board of Directors | 260 | 260 |
| | Wages and salaries | 138,862 | 158,147 |
| | Defined contribution plans | 9,252 | 10,189 |
| | Other social security costs | 14,535 | 14,900 |
| | Other staff expenses | 5,621 | 6,191 |
| | **Total** | **168,530** | **189,687** |
| | | | |
| | Staff expenses comprise: | | |
| | Production costs | 115,470 | 133,278 |
| | Distribution costs | 32,017 | 37,792 |
| | Administrative expenses | 18,762 | 18,617 |
| | Non-current assets | 2,281 | 0 |
| | **Total** | **168,530** | **189,687** |
| | | | |
| | Average number of employees | **531** | **624** |

| | Board of Directors | | Board of Executives | | Other key staff members | |
|---|---|---|---|---|---|---|
| Group (DKK 1,000) | 2005/2006 | 2004/2005 | 2005/2006 | 2004/2005 | 2005/2006 | 2004/2005 |
| Remuneration of members of the management | | | | | | |
| Remuneration of the Board of Directors | 260 | 260 | 0 | 0 | 0 | 0 |
| Wages and salaries | 0 | 0 | 3,795 | 3,780 | 9,921 | 8,445 |
| Pension | 0 | 0 | 207 | 207 | 360 | 358 |
| **Total** | **260** | **260** | **4,002** | **3,987** | **10,281** | **8,803** |

**Pension plans**

The group has entered into defined contribution plan agreements with a significant part of the employees of the group. Except for one pension plan concerning one employee, the group has not entered into any defined benefit plan agreements. The pension obligation, against which insurance has been taken out, has been recognised at 545 t. kr. as other receivables and a liability at 758 t. kr, respectively, in the balance sheet.

| 6 | Group (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|---|
| | **Depreciation, amortisation and impairment losses** | | |
| | Buildings | 18,740 | 17,582 |
| | Plant and machinery | 66,451 | 56,128 |
| | Other fixtures and fittings, tools and equipment | 15,748 | 21,849 |
| | Profit/(loss) on the sale of property, plant and equipment | 571 | (4,186) |
| | **Total** | **101,510** | **91,373** |
| | | | |
| | Depreciation, amortisation and impairment losses comprise: | | |
| | Production costs | 90,692 | 80,524 |
| | Distribution costs | 3,115 | 3,049 |
| | Administrative expenses | 3,430 | 3,274 |
| | Other operating expenses | 4,273 | 4,526 |
| | **Total** | **101,510** | **91,373** |

| 7 | Group (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|---|
| | **Other operating income** | | |
| | Government grants | 7,664 | 6,160 |
| | Rental income | 7,014 | 9,989 |
| | **Total** | **14,678** | **16,149** |

# Notes

| 8 | Group (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|---|
| | **Income from investments in associates** | | |
| | Share of profit/(loss) before tax | (414) | 455 |
| | Share of profit/(loss) in associates | 49 | (138) |
| | **Total** | **(365)** | **317** |

| 9 | Group (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|---|
| | **Financial income** | | |
| | Interest income from bank deposit etc. | **2,540** | **1,871** |

| 10 | Group (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|---|
| | **Financial expenses** | | |
| | Interest expenses from mortgage and bank debt | **6,472** | **8,733** |

| 11 | Group (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|---|
| | **Tax on profit/(loss) for the year** | | |
| | Current tax | 28,461 | 33,525 |
| | Changes in deferred tax, investments | 2,618 | 8,988 |
| | Deferred tax, intra-group profits | 0 | 1.694 |
| | | **31,079** | **44,208** |
| | Changes in deferred tax resulting from a reduction in the income tax from 30 per cent to 28 per cent | (1,693) | 0 |
| | Adjustment in respect of previous financial years | (371) | (121) |
| | **Total** | **29,015** | **44,087** |

The current income tax for the financial year for the Danish consolidated enterprises has been calculated on the basis of a tax rate of 28 per cent (2004/05: 30 per cent). For foreign consolidated enterprises, the tax rate applicable of the country in question has been used.

| | 2005/06 t.kr. | 2004/05 % | 2005/06 t.kr. | 2004/05 % |
|---|---|---|---|---|
| Profit before tax | 94.550 | | 130.173 | |
| Calculated tax thereon | 26.474 | 28,0 | 39.052 | 30,0 |
| Non-deductible expenses and income | (1.625) | (1,7) | 1.610 | 2,7 |
| Effect of differences in the tax rates of foreign subsidiaries | 6.230 | 6,6 | 3.546 | 1,2 |
| **Total** | **31.079** | **32,9** | **44.208** | **33,9** |

In addition to the tax recognised in the income statement, tax income of DKK 1.664 million has been recognised directly in equity in the form of a change in deferred tax in respect of recognition of a purchase obligation concerning returnable packaging not previously recognised.

# Notes

| 12 | Group (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|---|
| | **12. Earnings per share and diluted earnings per share** | | |
| | The basis of calculation of earnings per share and diluted earnings per share is as follows: | | |
| | Dividend distributed to the shareholders of the parent used in connection with the calculation of earnings per share | **65,554** | **86,102** |
| | | No. of DKK 10 shares | No. of DKK 10 shares |
| | Average number of shares | 6,000,000 | 6,000,000 |
| | Average number of treasury shares | (50,000) | (195,500) |
| | **Number of shares used in connection with the calculation of earnings per share** | **5,950,000** | **5,804,500** |

As at 25 October 2005, the denomination of the shares was changed to DKK 10,00 per share.
The number of shares for 2004/05 has been adapted to the new denomination.

13

**Dividend**

On 29 August 2005, the company distributed ordinary dividend of DKK 9.0 million to its shareholders, corresponding to DKK 15 per DKK 100 share (2003/04: DKK 6.0 million, corresponding to DKK 10 per DKK 100 share).

For the 2005/06 financial year, the Board of Directors has proposed that a dividend of DKK 48.0 million be distributed, corresponding to DKK 8 per DKK 10 share. If the proposed dividend is adopted, it will be distributed to the shareholders immediately after the annual general meeting of the company on 29 August 2006. As the dividend is subject to adoption by the general meeting, it has not been recognised as a liability in the balance sheet as at 30 April 2006.

14

| Group (DKK 1,000) | Land and buildings | Plant and machinery | Other plant etc. | Spare parts for own machinery | Plant under construction |
|---|---|---|---|---|---|
| **Property, plant and equipment** | | | | | |
| Cost as at 1 May 2005 | 475,906 | 951,919 | 146,722 | 6,534 | 32,928 |
| Regrouping | 0 | (1,802) | 1,802 | 0 | 0 |
| Translation adjustment | 195 | 577 | 66 | 0 | 64 |
| Addition | 21,684 | 55,996 | 18,718 | 1,770 | 18,072 |
| Disposal | (607) | (18,969) | (28,167) | (1,793) | (32,578) |
| **Cost as at 30 April 2006** | **497,178** | **987,721** | **139,141** | **6,511** | **18,486** |
| Depreciation and impairment losses as at 1 May 2005 | 177,699 | 529,057 | 109,867 | 0 | 0 |
| Regrouping | 0 | (1,540) | 1,540 | 0 | 0 |
| Translation adjustment | 43 | 288 | 49 | 0 | 0 |
| Depreciation in the year | 18,740 | 66,451 | 15,748 | 0 | 0 |
| Reversal on disposal | (299) | (14,675) | (25,592) | 0 | 0 |
| **Depreciation and impairment losses as at 30 April 2006** | **196,183** | **579,581** | **101,612** | **0** | **0** |
| **Carrying amount as at 30 April 2006** | **300,995** | **408,140** | **37,529** | **6,511** | **18,486** |

The carrying amount of mortgaged land and buildings totals DKK 253.293 million.

Land and buildings include the carrying amount of buildings on leased land amounting to DKK 44.446 million.

# Notes

## 14

| Group (DKK 1,000) | Land and buildings | Plant and machinery | Other plant etc. | Spare parts for own machinery | Plant under construction |
|---|---|---|---|---|---|
| **Property, plant and equipment, continued** | | | | | |
| Cost as at 1 May 2004 | 455,462 | 813,497 | 147,520 | 7,107 | 14,833 |
| Translation adjustment | 59 | 222 | (37) | 0 | 8 |
| Addition | 29,189 | 141,067 | 16,931 | 2,667 | 32,536 |
| Disposal | (8,804) | (2,867) | (17,692) | (3,240) | (14,449) |
| **Cost as at 30 April 2005** | **475,906** | **951,919** | **146,722** | **6,534** | **32,928** |
| Depreciation and impairment losses as at 1 May 2004 | 164,936 | 475,449 | 105,656 | 0 | 0 |
| Translation adjustment | 12 | 79 | 14 | 0 | 0 |
| Depreciation in the year | 17,582 | 56,128 | 21,849 | 0 | 0 |
| Reversal on disposal | (4,831) | (2,599) | (17,652) | 0 | 0 |
| **Depreciation and impairment losses as at 30 April 2005** | **177,699** | **529,057** | **109,867** | **0** | **0** |
| **Carrying amount as at 30 April 2005** | **298,207** | **422,862** | **36,855** | **6,534** | **32,928** |

The carrying amount of mortgaged land and buildings totals DKK 249.431 million.

Land and buildings include the carrying amount of buildings on leased land amounting to DKK 48.532 million.

## 15

| Group (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|
| **Investments in associates** | | |
| Cost as at 1 May 2005 | 537 | 537 |
| **Cost as at 30 April 2006** | **537** | **537** |
| Revaluation and impairment losses as at 1 May 2005 | 316 | 0 |
| Share of profit/(loss) for the year after tax | (365) | 316 |
| **Revaluation and impairment losses as at 30 April 2006** | **(49)** | **316** |
| **Carrying amount as at 30 April 2006** | **488** | **853** |

In the consolidated financial statements, investments in associated comprises are measured according to the equity method.

Investments in associates comprise:
Best Poultry International A/S, Copenhagen, Denmark, share capital of DKK 0.5 million, ownership interest of 25.0 per cent.
Bartels-Farm A/S, Hashøj, Denmark, share capital of DKK 1.858 million, ownership interest of 10.0 per cent *)
Velisco Farm A/S, Skælskør, Denmark, share capital of DKK 1.115 million, ownership interest of 20.3 per cent

The composition of ownership interests etc. in the associates is consistent with that of last year.

*) The company has been included under associates due to its managerial and financial structure.

| Key figures for associates: | 2005/2006 | 2004/2005 |
|---|---|---|
| Assets | 45,749 | 43,884 |
| Liabilities | (43,407) | (38,690) |
| **Net assets as at 30 April 2006** | **2,342** | **5,194** |
| **Share of net assets as at 30 April 2006** | **488** | **853** |
| **Profit/(loss) for the year** | **(2,458)** | **1,326** |
| **Share of profit/(loss) for the year** | **(365)** | **316** |

# Notes

| 16 | Group (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|---|
| | **Financial assets available for sale** | | |
| | Listed shares | 1,374 | 1,019 |
| | Unlisted shares | 1,504 | 1,607 |
| | Mortgage deeds | 60 | 111 |
| | | **2,938** | **2,737** |

Financial assets available for sale are measured at fair value on the balance sheet date.

| 17 | Group (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|---|
| | **Inventories** | | |
| | Raw materials, intermediates and one-way packaging | 50,624 | 50,062 |
| | Finished goods and goods for resale | 36,888 | 37,368 |
| | | **87,512** | **87,430** |

| 18 | Group (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|---|
| | **Trade receivables** | | |
| | Trade receivables | **190,760** | **204,862** |
| | Write-downs made for expected losses | **1,061** | **1,186** |

Write-downs are made at net realisable value, corresponding to the sum of the future net payments which the receivable is expected to yield.

| 19 | Group (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|---|
| | **Cash** | | |
| | Cash and bank deposit | **77,556** | **88,044** |

Cash comprises deposits in esteemed banks in the form of variable-interest demand deposits.

20

**20. Share capital**

The share capital totals DKK 60.0 million, distributed on DKK 6.4 million of A shares and DKK 53.6 million of B shares. Each A share amount of DKK 10 carries 10 votes, and each B share amount of DKK 10 carries 1 vote.

The B shares are listed on the Copenhagen Stock Exchange.

The past four years have not seen any movements in the share capital.

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| | | | Nominal value | | Share of share capital | |
|---|---|---|---|---|---|---|
| | 2006 No. of DKK 10 shares | 2005 No. of DKK 100 shares | 2006 DKK 1,000 | 2005 DKK 1,000 | 2006 % | 2005 % |
| **Treasury shares** | | | | | | |
| Treasury shares as at 1 May 2005 | 5,000 | 34,100 | 500 | 3,410 | 0.8 | 5.7 |
| Purchase of treasury shares | 0 | 0 | 0 | 0 | 0.0 | 0.0 |
| Sale of treasury shares | 0 | (29,100) | 0 | (2,910) | 0.0 | (4.9) |
| Change of denomination from DKK 100 to DKK 10 45,000 | 0 | 0 | 0 | 0.0 | 0.0 | |
| **Treasury shares as at 30 April 2006** | **50,000** | **5,000** | **500** | **500** | **0.8** | **0.8** |

Harboes Bryggeri A/S holds treasury B shares which have been purchased to ensure optimal investment of cash funds. According to a decision made at the general meeting held on 23 August 2005, the company can acquire treasury shares at a maximum nominal value of DKK 6.0 million, corresponding to 10 per cent of the share capital, until the next annual general meeting.

# Notes

## 22

| Group (DKK 1,000) | Deferred tax assets | Deferred tax liabilities |
|---|---|---|
| **Deferred tax liabilities** | | |
| Deferred tax as at 1 May 2004 | 0 | 37,010 |
| Translation adjustment | 0 | 16 |
| Adjustment in respect of previous financial years | 0 | 1,863 |
| Changes in deferred tax recognised in the income statement | 0 | 10,682 |
| Changes in deferred tax recognised in equity | 0 | (1,664) |
| **Deferred tax as at 30 April 2005** | **0** | **47,907** |
| Translation adjustment | 0 | 48 |
| Changes in deferred tax recognised in the income statement | 0 | 926 |
| **Deferred tax as at 30 April 2006** | **0** | **48,881** |

| | 2006 | 2005 |
|---|---|---|
| Deferred tax has been recognised in the balance sheet as follows: | | |
| Deferred tax liabilities | **48,881** | **47,907** |
| Distribution of the distributable reserves of AS Viru Õlu, Haljala, Estonia, will trigger tax not provided for of | **2,186** | **2,420** |
| Deferred tax assets not recognised: | | |
| Tax losses to be carried forward | **2,645** | **2,816** |

The tax base of tax losses to be carried forward has not been recognised as it is not deemed sufficiently probable that the losses to be carried forward will be utilised within the foreseeable future.

| Group (DKK 1,000) | 01.05 | Recognised in the income statement for continuing in activities | Recognised equity | 30.04 |
|---|---|---|---|---|
| **Deferred tax liabilities, continued** | | | | |
| Non-current assets | 46,951 | 1,830 | 48 | 48,829 |
| Current assets | 1,477 | (390) | 0 | 1,087 |
| Short-term liabilities | (521) | (514) | 0 | (1,035) |
| **Deferred tax 2006** | **47,907** | **926** | **48** | **48,881** |
| Non-current assets | 37,392 | 9,543 | 16 | 46,951 |
| Current assets | (558) | 2,035 | 0 | 1,477 |
| Short-term liabilities | (1,488) | 967 | 0 | (521) |
| **Deferred tax 2005** | **35,346** | **12,545** | **16** | **47,907** |

Deferred tax is provided for at a Danish tax rate of 28 per cent and a German tax rate of 36 per cent, respectively. The recognition in the income statement includes the change in deferred tax resulting from the lowering of the income tax rate from 30 per cent to 28 per cent in the 2005/06 financial year.

## 23

| Group (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|
| **Repurchase obligation, returnable packaging** | | |
| Repurchase obligations as at 1 May 2005 | 65,363 | 81,388 |
| Applied and reversed in the financial year, net | (22,430) | (16,025) |
| **Repurchase obligations as at 30 April 2006** | **42,933** | **65,363** |
| **Provisions as at 30 April 2006** | **42,933** | **65,363** |
| Provisions have been recognised in the balance sheet as follows: | | |
| Short-term liabilities | 42,933 | 65,363 |
| Long-term liabilities | 0 | 0 |
| | **42,933** | **65,363** |

The repurchase obligation has been adjusted on the basis of the net sale of returnable packaging for the year less an estimated wastage in the volume of returnable packaging in circulation.

# Notes

| Group (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|
| **24 Mortgage debt** | | |
| Mortgage debt secured upon real property | **39,933** | **45,047** |
| | | |
| Mortgage debt falls due as follows: | | |
| On demand within one year after the balance sheet date | 5,410 | 5,224 |
| Between one and two years after the balance sheet date | 5,598 | 5,328 |
| Between two and three years after the balance sheet date | 5,782 | 5,512 |
| Between three and four years after the balance sheet date | 5,956 | 5,695 |
| Between four and five years after the balance sheet date | 6,156 | 5,873 |
| After five years after the balance sheet date | 11,031 | 17,415 |
| | **39,933** | **45,047** |
| | | |
| Mortgage debt has been recognised in the balance sheet as follows: | | |
| Short-term liabilities | 5,410 | 5,224 |
| Long-term liabilities | 34,523 | 39,823 |
| | **39,933** | **45,047** |

| Group | Currency | Expiry | Fixed/ variable | Effective interest rate % | Amortised cost DKK 1,000 | Nominal value DKK 1,000 | Fair value DKK 1,000 |
|---|---|---|---|---|---|---|---|
| Mortgage debt | DKK | 2012 | Variable | 3.1 | 32,073 | 34,736 | 32,073 |
| Mortgage debt | DKK | 2028 | Variable | 3.0-3.5 | 7,860 | 8,099 | 7,860 |
| **30 April 2006** | | | | | **39,933** | **42,835** | **39,933** |
| | | | | | | | |
| Mortgage debt | DKK | 2012 | Variable | 3.1 | 37,091 | 40,223 | 37,091 |
| Mortgage debt | DKK | 2029 | Fixed | 6.0 | 7,956 | 7,956 | 7,956 |
| **30 April 2006** | | | | | **45,047** | **48,179** | **45,047** |

The fair value has been determined at the present value of expected future instalments and interest payments using the current market interest rate as the discount rate.

| Group (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|
| **25 Other credit institutions** | | |
| Loans | **30,487** | **41,300** |
| | | |
| Other credit institutions fall due as follows: | | |
| On demand within one year after the balance sheet date | 11,780 | 10,800 |
| Between one and two years after the balance sheet date | 9,508 | 10,683 |
| Between two and three years after the balance sheet date | 5,739 | 10,563 |
| Between three and four years after the balance sheet date | 2,273 | 5,728 |
| Between four and five years after the balance sheet date | 1,187 | 2,342 |
| After five years after the balance sheet date | 0 | 1,184 |
| | **30,487** | **41,300** |
| | | |
| Other credit institutions have been recognised in the balance sheet as follows: | | |
| Short-term liabilities | 11,780 | 10,800 |
| Long-term liabilities | 18,707 | 30,500 |
| | **30,487** | **41,300** |

# Notes

## 25

| Group | Currency | Expiry | Fixed/ variable | Effective interest rate % | Amortised cost DKK 1'000 | Nominal value DKK 1'000 | Fair value DKK 1'000 |
|---|---|---|---|---|---|---|---|
| **Other credit institutions, continued** | | | | | | | |
| 30 April 2006 | | | | | | | |
| Loan | EUR | 2010 | Fixed | 3.5-7.5 | **30,487** | **30,967** | **30,487** |
| | | | | | | | |
| 30 April 2005 | | | | | | | |
| Loan | EUR | 2010 | Fixed | 3.5-7.5 | **41,300** | **41,715** | **41,300** |

The fair value has been determined at the present value of expected future instalments and interest payments using the current market interest rate as the discount rate.

## 26

| Group (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|
| **Other payables** | | |
| Wages and salaries, holiday pay, income tax deducted at source, social contributions etc. payable | 4,464 | 7,376 |
| Holiday pay obligations etc. | 5,829 | 7,093 |
| VAT and taxes payable | 23,208 | 29,799 |
| Other expenses payable | 39,578 | 48,960 |
| | **73,079** | **93,228** |

Holiday pay obligations etc. cover obligations to pay wages and salaries during holidays, to which employees, as at the balance sheet date, have earned a right to take in the following financial year.

# Notes

| 27 | Group (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|---|
| | **Operating lease commitments** | | |
| | For the years 2006-2015, operating leases concerning the lease of property, machinery and other plant have been made. The leases have been made for a minimum of 3-20 years with fixed lease payments to be indexed annually. The leases are non-cancellable within the period stated, subsequent to which they may be renewed for periods of 1 year. | | |
| | Minimum lease payments recognised in the income statement | **7,992** | **7,727** |
| | The minimum lease payments comprise: | | |
| | Production | 1,436 | 1,404 |
| | Distribution | 520 | 350 |
| | Administration | 360 | 360 |
| | Other operating expenses | 5,676 | 5,613 |
| | | **7,992** | **7,727** |
| | The total future minimum lease payments for non-cancellable leases fall due as follows: | | |
| | Within one year after the balance sheet date | 6,575 | 7,992 |
| | Between two and five years after the balance sheet date | 22,893 | 23,992 |
| | After five years after the balance sheet date | 12,536 | 17,231 |
| | | **42,004** | **49,215** |

| 28 | Group (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|---|
| | **Contingent liabilities, security and contractual obligations** | | |
| | Security | | |
| | Mortgage debt has been secured by way of mortgage over properties with associated plant and machinery (mortgaged fixtures and fittings (tilbehørspant)). | | |
| | Carrying amount of mortgaged properties | **104,496** | **111,100** |
| | As security for bank debts, a mortgage deed with a nominal value of DKK 0.750 million registered to the mortgagor and secured upon Danish properties has been deposited. Furthermore, at mortgage deed with a nominal value of DKK 38.150 million registered to the mortgagor and secured upon foreign properties and plant has been deposited. | | |
| | Carrying amount of mortgaged properties | **148,797** | **138,331** |

Contingent liabilities

Government grants have been received for the purchase of property, plant and equipment and the establishment of a production facility in Darguner Brauerei GmbH. The grants are subject to certain conditions, for which reason repayment may be demanded within a 5-year period if the assets are removed or production is discontinued. No current repayment obligation exist.

| 29 | Group (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|---|
| | **Changes in working capital** | | |
| | Changes in inventories | (81) | (6,671) |
| | Changes in trade receivables | 12,684 | (13,806) |
| | Changes in other receivables | 2,085 | 2,481 |
| | Changes in trade payables etc. | (15,880) | 41,016 |
| | Changes in other payables | (33,406) | (17,702) |
| | | **(34,598)** | **5,318** |

| 30 | Group (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|---|
| | **Cash and cash equivalents** | | |
| | Cash and bank deposit | **77,556** | **88,044** |

# Notes

| Group (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|
| 31 **Fee to the auditors elected by the general meeting** | | |
| Fee to the auditors of the parent elected by the general meeting for the financial year comprises: | | |
| **Auditors** | | |
| Deloitte | 1,276 | 993 |
| PricewaterhouseCoopers | 85 | 555 |
| Others | 248 | 9 |
| | **1,609** | **1,548** |
| **Non-audit services** | | |
| Deloitte | 248 | 102 |
| PricewaterhouseCoopers | 0 | 162 |
| Others | 126 | 0 |
| | **374** | **264** |

32 **Currency, interest rate and credit risks**

Currency risks

The total assets of the group of receivables with DKK 113 million and cash with DKK 52 million. The total assets denominated in foreign currencies comprise DKK 142 million denominated in EUR.

The total liabilities of the group of DKK 466 million comprise DKK 222 million denominated in foreign currencies. The total liabilities denominated in foreign currencies comprise DKK 213 million denominated in EUR.

Interest rate risks

The group does not hedge interest rate risks as this is not deemed financially viable.

Other information

As regards the following items, the carrying amount corresponds to the fair value of the receivable/liability:

– Trade receivables
– Other receivables
– Cash
– Trade payables
– Other payables

As regards receivables, the carrying amount also corresponds to the maximum credit risk of the three items as at 30 April 2006.

# Notes

## 33 Related parties

**Related parties with a controlling influence**

The following parties have a controlling influence on the parent and the group:

| Name | Domicile | Basis of control |
|---|---|---|
| Kirsten and Bernhard Griese | Spegerborgvej 4, 4230 Skælskør, Denmark | Shareholder with the majority of voting rights |

For an overview of subsidiaries and associates, please refer to page 53 note 15.

**Transactions with related parties**

During the financial year, the group has engaged in the following transactions with its related parties:

| (DKK 1,000) | Sales of goods | Purchase of goods | Sale of services | Purchase of services | Receivables | Payables |
|---|---|---|---|---|---|---|
| Owners with a controlling influence on Harboes Bryggeri A/S | | | | 4.326 | | |
| Associates | 579 | 106,914 | 7,470 | 0 | 3,514 | 7,660 |
| Members of the Board of Directors, the Board of Executives and other key staff members | | | | 10.541 | | |
| Other related parties | 70 | 8.081 | 100 | 6.829 | | |
| **Transactions 2005/06** | **649** | **114,995** | **7,570** | **21,696** | **3,514** | **7,660** |
| Owners with a controlling influence on Harboes Bryggeri A/S | | | | 4,311 | | |
| Associates | 424 | 23,395 | 10,370 | 0 | 1,422 | 0 |
| Members of the Board of Directors, the Board of Executives and other key staff members | | | | 9,063 | | |
| Other related parties | 45 | 15,370 | 97 | 6,839 | | |
| **Transactions 2004/05** | **469** | **38,765** | **10,467** | **20,213** | **1,422** | **0** |

The purchase of goods from and sale of goods to related parties have been conducted at market prices and at the normal selling prices of the group.

No security was provided and no guarantees were given in respect of outstanding balances as at the balance sheet date. Both receivables and payables will be settled in cash. During the financial year, no bad debts in respect of related parties were realised and no write-downs were made for probable losses

**Remuneration etc. of the Board of Directors, the Board of Executives and other key staff members**

Please refer to note 5 for information on remuneration paid to the Board of Directors, the Board of Executives and other key staff members of the group. The remuneration has been included in the table above.

# Notes

34 **Effect of change in accounting policies in connection with the transition to IFRS**

As mentioned in note 1, the annual report is presented in accordance with the International Financial Reporting Standards (IFRS) as of the current financial year. The transition to IFRS means that the standards applicable at the balance sheet date in the year of transition should be applied retroactively from the first financial year represented in the annual report for the year of transition.

The most recent annual report of Harboes Bryggeri A/S for 2004/05 was presented in accordance with the Danish Financial Statements Act (Årsregnskabsloven) and Danish accounting standards. In connection with the transition to IFRS for the current financial year, an opening balance sheet has been prepared in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards, as at 1 May 2004. This opening balance has been determined in accordance with the IFRSs applicable for financial years beginning on 1 May 2005 or later, cf. the description in note 1, except for the special transitional and commencement provisions described below.

**Translation adjustment in respect of foreign enterprises**

On the translation of independent foreign enterprises, translation adjustments should, in accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, be recognised as a separate item directly in equity. In connection with a subsequent disposal of the enterprise, the accumulated translation differences should be recognised in the income statement. According to the transitional provisions of IFRS 1, the translation adjustments were zeroed as at 1 May 2004. Any future translation differences will be recognised in equity in accordance with IAS 21. In connection with any later disposal of such foreign enterprise, only the translation adjustments recognised in equity after 1 May 2004 will be recognised in the income statement.

**Financial highlights**

Comparative figures for the financial highlights on page 4 for the 2001/02 to 2003/04 financial years have not been restated in accordance with the changed accounting policies. The corrections required for comparative figures for the financial highlights for the 2001/02 to 2003/04 financial years to be restated in accordance with IFRS correspond to the corrections made to the opening balance sheet as at 1 May 2004, cf. the description below.

**Reclassifications**

In addition to changes in the accounting policies concerning recognition and measurement, the following material reclassifications and changes to the format have been made:

- Deferred tax liabilities and repurchase obligations in respect of returnable packaging are presented under long-term and short-term liabilities, depending on the expected settlement date.
- Cash discounts granted by the group's suppliers are recognised under production costs.
- The profit/(loss) of associates is presented as a net item after tax in the consolidated income statement.
- Proposed dividend for the financial year is not presented as a separate item under equity, but is stated in the notes.

The changes to the classification and format have been implemented retroactively such that the comparative figures for 2004/05 have been restated in accordance with the changed accounting policies.

# Notes

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| Group (DKK 1,000) | Previous accounting policies 01.05.2004 | Effect of transition to IFRS 01.05.2004 | IFRS 01.05.2004 | Note |
|---|---|---|---|---|
| **Effect of change in accounting policies in connection with the transition to IFRS, continued.** | | | | |
| **Reconciliation of equity as at 1 May 2004** | | | | |
| (opening balance sheet) | | | | |
| Property, plant and equipment | 692,378 | 0 | 692,378 | |
| Financial assets | 4,994 | 0 | 4,994 | |
| **Non-current assets** | **697,372** | **0** | **697,372** | |
| Inventories | 80,759 | 0 | 80,759 | |
| Receivables | 212,721 | 0 | 212,721 | |
| Cash | 33,036 | 0 | 33,036 | |
| **Current assets** | **326,516** | **0** | **326,516** | |
| **ASSETS** | **1,023,888** | **0** | **1,023,888** | |
| Share capital | 60,000 | 0 | 60,000 | |
| Share premium | 51,000 | 0 | 51,000 | |
| Retained earnings | 369,735 | 3,038 | 372,773 | A |
| Proposed dividend for the financial year | 6,000 | (6,000) | 0 | B |
| Minority interests | 0 | 456 | 456 | C |
| **Equity** | **486,735** | **(2,506)** | **484,229** | |
| **Minority interests** | **456** | **(456)** | **0** | C |
| Provisions | 113,772 | (113,772) | 0 | D |
| Long-term liabilities other than provisions | 118,999 | 35,346 | 154,345 | E |
| Short-term liabilities other than provisions | 303,926 | 81,388 | 385,314 | F |
| **Liabilities** | **536,697** | **2,962** | **539,659** | |
| **LIABILITIES AND EQUITY** | **1,023,888** | **0** | **1,023,888** | |

| | |
|---|---|
| Note A. *Retained earnings* | |
| The following adjustments of the retained earnings of the group have been made: | |
| Reclassification of proposed dividend for the financial year | 6,000 |
| Recognition of a repurchase obligation concerning returnable packaging not previously recognised | (4,626) |
| Effect on deferred tax | 1,664 |
| | **3,038** |
| *Note B. Proposed dividend for the financial year* | |
| Proposed dividend for the financial year has been reclassified and is now included in retained earnings. | |
| *Note C. Minority interests* | |
| Minority interests have been reclassified and are now included in equity. | |
| *Note D. Provisions* | |
| Provisions have been reclassified and are now included in long-term and short-term liabilities, respectively. | |
| *Note E. Long-term liabilities other than provisions* | |
| The following adjustments of the long-term liabilities other than provisions of the group have been made: | |
| Reclassification of deferred tax liabilities | 37,010 |
| Recognition of a repurchase obligation concerning returnable packaging not previously recognised – effect on deferred tax | (1,664) |
| | **35,346** |
| *Note F. Short-term liabilities other than provisions* | |
| The following adjustments of the short-term liabilities other than provisions of the group have been made: | |
| Reclassification of a repurchase obligation concerning returnable packaging | 76,762 |
| Recognition of a repurchase obligation concerning returnable packaging not previously recognised, cf. note A | 4,626 |
| | **81,388** |

# Notes

## 34

| Group (DKK 1,000) | Previous accounting policies 30.04.2005 | Effect of transition to IFRS 30.04.2005 | IFRS 30.04.2005 | Note |
|---|---|---|---|---|
| **Effect of change in accounting policies in connection with the transition to IFRS, continued.** | | | | |
| **Reconciliation of equity as at 30 April 2005** | | | | |
| Property, plant and equipment | 797,386 | 0 | 797,386 | |
| Financial assets | 5,623 | 0 | 5,623 | |
| **Non-current assets** | **803,009** | **0** | **803,009** | |
| Inventories | 87,430 | 0 | 87,430 | |
| Receivables | 216,081 | 0 | 216,081 | |
| Cash | 88,044 | 0 | 88,044 | |
| **Current assets** | **391,555** | **0** | **391,555** | |
| **ASSETS** | **1,194,564** | **0** | **1,194,564** | |
| Share capital | 60,000 | 0 | 60,000 | |
| Share premium | 51,000 | 0 | 51,000 | |
| Reserves | 316 | 446 | 762 | A |
| Retained earnings | 501,642 | 5,592 | 507,234 | B |
| Proposed dividend for the financial year | 9,000 | (9,000) | 0 | C |
| Minority interests | 0 | 441 | 441 | D |
| **Equity** | **621,958** | **(2,521)** | **619,437** | |
| **Minority interests** | **441** | **(441)** | **0** | D |
| Provisions | 110,308 | (110,308) | 0 | E |
| Long-term liabilities other than provisions | 101,404 | 47,907 | 149,311 | F |
| Short-term liabilities other than provisions | 360,453 | 65,363 | 425,816 | G |
| **Liabilities** | **572,165** | **2,962** | **575,127** | |
| **LIABILITIES AND EQUITY** | **1,194,564** | **0** | **1,194,564** | |

| | |
|---|---|
| *Note A. Reserves* | |
| The following adjustments of the reserves of the group have been made: | |
| Reclassification of translation adjustments for foreign subsidiaries | 137 |
| Adjustment to fair value of financial assets available for sale | 309 |
| | **446** |
| *Note B. Retained earnings* | |
| The following adjustments of the retained earnings of the group have been made: | |
| Reclassification of proposed dividend for the financial year | 9,000 |
| Reclassification of translation adjustments for foreign subsidiaries | (137) |
| Adjustment to fair value of financial assets available for sale | (309) |
| Recognition of a repurchase obligation concerning returnable packaging not previously recognised | (4,626) |
| effect on deferred tax | 1,664 |
| | **5,592** |
| *Note C. Proposed dividend for the financial year* | |
| Proposed dividend for the financial year has been reclassified and is now included in retained earnings. | |
| *Note D. Minority interests* | |
| Minority interests have been reclassified and are now included in equity. | |
| *Note E. Provisions* | |
| Provisions have been reclassified and are now included in long-term and short-term liabilities, respectively. | |
| *Note F. Long-term liabilities other than provisions* | |
| The following adjustments of the long-term liabilities other than provisions of the group have been made: | |
| Reclassification of deferred tax liabilities | 49,571 |
| Recognition of a repurchase obligation concerning returnable packaging not previously recognised – effect on deferred tax | (1,664) |
| | **47,907** |

# Notes

34 **Effect of change in accounting policies in connection with the transition to IFRS, continued**

*G. Short-term liabilities other than provisions*

| | |
|---|---|
| The following adjustments of the short-term liabilities other than provisions of the group have been made: | |
| Reclassification of a repurchase obligation concerning returnable packaging | 60,737 |
| Recognition of a repurchase obligation concerning returnable packaging not previously recognised | 4,626 |
| | **65,363** |

| Group (DKK 1,000) | Previous accounting policies 2004/05 | Effect of transition to IFRS 2004/05 | IFRS 2004/05 | Note |
|---|---|---|---|---|
| **Effect of change in accounting policies in connection with the transition to IFRS, continued.** | | | | |
| **Reconciliation of income statement for 2004/05** | | | | |
| Revenue | 1,451,682 | 0 | 1,451,682 | |
| Production costs | (1,131,150) | 408 | (1,130,742) | A |
| **Gross profit** | **320,532** | **408** | **320,940** | |
| Distribution costs | (155,484) | 0 | (155,484) | |
| Administrative expenses | (34,015) | 0 | (34,015) | |
| Other operating income | 16,149 | 0 | 16,149 | |
| Other operating expenses | (10,872) | 0 | (10,872) | |
| **Operating profit** | **136,310** | **408** | **136,718** | |
| Income from investments in associates | 454 | (137) | 317 | B |
| Financial income | 2,589 | (717) | 1,872 | C |
| Financial expenses | (8,733) | 0 | (8,733) | |
| **Profit/(loss) before tax** | **130,620** | **(446)** | **130,174** | |
| Tax on profit/(loss) for the year from continuing activities | (44,224) | 137 | (44,087) | B |
| **Net profit/(loss) for the year** | **86,396** | **(309)** | **86,087** | |

*Note A. Production costs*

Reclassification of cash discounts received has been made.

*Note B: Income from investments in associates*

Reclassification of tax in associates has been made.

*Note C. Financial income*

| | |
|---|---|
| The following adjustments of the financial income of the group have been made: | |
| Cash discounts received, reclassified for recognition under production costs | (408) |
| Adjustment to fair value of financial assets available for sale | (309) |
| | **(717)** |

# Income Statement - Parent

| (DKK 1,000) | Parent 2005/2006 | Parent 2004/2005 | Note |
|---|---|---|---|
| Gross revenue | 720,203 | 786,939 | |
| Taxes on beer and soft drinks | (173,475) | (192,284) | |
| **Revenue** | **546,728** | **594,655** | |
| Production costs | (421,938) | (425,395) | 1 |
| **Gross profit** | **124,790** | **169,260** | |
| Distribution costs | (89,563) | (100,348) | |
| Administrative expenses | (22,441) | (21,629) | |
| **Operating profit (EBIT)** | **12,786** | **47,283** | |
| Income from investments in subsidiaries | - | - | 4 |
| Income from investments in associates | - | - | 5 |
| Financial income | 2,962 | 2,993 | 6 |
| Financial expenses | (3,257) | (2,808) | 7 |
| **Profit before tax** | **12,491** | **47,468** | |
| Tax on profit/(loss) for the year | (4,381) | (13,613) | 8 |
| Adjustment of tax in respect of previous years | 3,043 | 121 | 8 |
| **NET PROFIT FOR THE YEAR** | **11,153** | **33,976** | |

| **Proposal for the distribution of net profit** | | |
|---|---|---|
| Dividend for the financial year | 48,000 | 9,000 |
| Retained earnings | (36,847) | 24,976 |
| | **11,153** | **33,976** |

# Balance Sheet - Assets

Parent as at 30 April 2006

| (DKK 1,000) | Parent 2005/2006 | Parent 2004/2005 | Note |
|---|---|---|---|
| Land and buildings | 110,589 | 116,114 | |
| Plant and machinery | 198,975 | 218,273 | |
| Other fixtures and fittings, tools and equipment | 23,484 | 25,914 | |
| Spare parts for own machinery | 6,511 | 6,534 | |
| Property, plant and equipment under construction | 13,805 | 704 | |
| **Property, plant and equipment** | **353,364** | **367,539** | 9 |
| Investments in subsidiaries | 143,699 | 143,531 | 10 |
| Financial assets available for sale | 2,923 | 2,619 | 11 |
| **Financial assets** | **146,622** | **146,150** | |
| **NON-CURRENT ASSETS** | **499,986** | **513,689** | |
| **Inventories** | **33,855** | **33,606** | 12 |
| Trade receivables | 91,377 | 96,479 | 13 |
| Receivables from subsidiaries | 26,506 | 37,579 | |
| Other receivables | 203 | 797 | |
| Prepayments | 2,453 | 4,202 | |
| **Receivables** | **120,539** | **139,057** | |
| **Cash** | **42,365** | **40,365** | 14 |
| **CURRENT ASSETS** | **196,759** | **213,028** | |
| **ASSETS** | **696,745** | **726,717** | |

# Balance Sheet - Liabilities and Equity

Parent as at 30 April 2006

| (DKK 1,000) | Parent 2005/2006 | Parent 2004/2005 | Note |
|---|---|---|---|
| Share capital | 60,000 | 60,000 | 15 |
| Share premium | 51,000 | 51,000 | |
| Reserves | 664 | 309 | |
| Retained earnings | 324,084 | 321,856 | |
| **Equity owned by the shareholders of the parent** | **435,748** | **433,165** | |
| **EQUITY** | **435,748** | **433,165** | |
| Mortgage debt | 7,582 | 7,769 | 19 |
| Deferred tax liabilities | 37,375 | 39,171 | 17 |
| **Long-term liabilities** | **44,957** | **46,940** | |
| Mortgage debt | 278 | 187 | 19 |
| Trade payables | 85,801 | 125,038 | |
| Repurchase obligation, returnable packaging | 38,307 | 60,737 | 18 |
| Payables to subsidiaries | 44,091 | 3,902 | |
| Income tax | 153 | 5,660 | |
| Other payables | 47,410 | 51,088 | 20 |
| **Short-term liabilities** | **216,040** | **246,612** | |
| **LIABILITIES** | **260,997** | **293,552** | |
| **LIABILITIES AND EQUITY** | **696,745** | **726,717** | |

# Cash Flow Statement

| (DKK 1,000) | Parent 2005/2006 | Parent 2004/2005 | Note |
|---|---|---|---|
| Operating profit (EBIT) | 12,786 | 47,283 | |
| Depreciation, amortisation and impairment losses | 48,290 | 44,030 | |
| Changes in working capital | (15,181) | (29,341) | 23 |
| **Operating cash flows** | **45,895** | **61,972** | |
| Net interest, dividends, translation adjustments etc. | (345) | 494 | |
| Income tax paid | (8,287) | (7,732) | |
| **Cash flows from operating activities** | **37,263** | **54,734** | |
| Purchase etc. of property, plant and equipment | (81,053) | (89,810) | |
| Sale of property, plant and equipment | 3,240 | 8,115 | |
| Purchase of enterprise | (80) | 0 | |
| Changes in financial assets available for sale | 221 | (252) | |
| **Cash flows from investing activities** | **(77,672)** | **(81,947)** | |
| Dividend distributed to shareholders of the parent | (9,000) | (6,000) | |
| Repayment/raising of mortgage debt | 146 | (2,452) | |
| Net sale of treasury shares including dividend received | 0 | 54,675 | |
| **Cash flows from financing activities** | **(8,854)** | **46,223** | |
| **Changes in cash and cash equivalents** | **(49,263)** | **19,010** | |
| Cash and cash equivalents as at 1 May 2005 | 74,043 | 55,033 | |
| **CASH AND CASH EQUIVALENTS AS AT 30 APRIL 2006** | **24,780** | **74,043** | 24 |

# Statement of Equity

Parent

| (DKK 1,000) | Share capital | Share premium | Reserve for adjustment to fair value of financial assets available for sale | Retained earnings | Total equity |
|---|---|---|---|---|---|
| Equity as at 1 May 2004 | 60,000 | 51,000 | 0 | 375,735 | 486,735 |
| Effect of change in accounting policies, cf. note 28 | 0 | 0 | 0 | (136,530) | (136,530) |
| **Adjusted equity as at 1 May 2004** | **60,000** | **51,000** | **0** | **239,205** | **350,205** |
| Adjustment to fair value of financial assets available for sale | 0 | 0 | 309 | 0 | 309 |
| **Recognised directly in equity** | **0** | **0** | **309** | **0** | **309** |
| Net profit for the year | 0 | 0 | 0 | 33,976 | 33,976 |
| **Total net income** | **0** | **0** | **309** | **33,976** | **34,285** |
| Distributed dividend | 0 | 0 | 0 | (6,000) | (6,000) |
| Dividend from treasury shares | 0 | 0 | 0 | 341 | 341 |
| Sale of treasury shares, cf. note 16 | 0 | 0 | 0 | 54,334 | 54,334 |
| **Total** | **0** | **0** | **0** | **48,675** | **48,675** |
| **EQUITY AS AT 30 APRIL 2005** | **60,000** | **51,000** | **309** | **321,856** | **433,165** |
| Adjustment to fair value of financial assets available for sale | 0 | 0 | 355 | 0 | 355 |
| **RECOGNISED DIRECTLY IN EQUITY** | **0** | **0** | **355** | **0** | **355** |
| Net profit for the year | 0 | 0 | 0 | 11,153 | 11,153 |
| **TOTAL NET INCOME** | **0** | **0** | **355** | **11,153** | **11,508** |
| Distributed dividend | 0 | 0 | 0 | (9,000) | (9,000) |
| Dividend from treasury shares | 0 | 0 | 0 | 75 | 75 |
| **Total** | **0** | **0** | **0** | **(8,925)** | **(8,925)** |
| **EQUITY AS AT 30 APRIL 2006** | **60,000** | **51,000** | **664** | **324,084** | **435,748** |

# Notes Overview - Parent

# Notes

| | Parent (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|---|
| 1 | **Production costs** | | |
| | Cost of sales | 359,233 | 365,504 |
| | Depreciation, amortisation and impairment losses, cf. note 3 | 43,830 | 39,220 |
| | Other production costs | 18,875 | 20,671 |
| | | **421,938** | **425,395** |

| | Parent (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|---|
| 2 | **Staff expenses** | | |
| | Remuneration of the Board of Directors | 260 | 260 |
| | Wages and salaries | 84,641 | 86,289 |
| | Defined contribution plans | 8,423 | 8,268 |
| | Other social security costs | 5,342 | 4,513 |
| | Other staff expenses | 4,943 | 4,223 |
| | **Total** | **103,609** | **103,553** |
| | | | |
| | Staff expenses comprise: | | |
| | Production costs | 63,759 | 60,550 |
| | Distribution costs | 25,029 | 30,261 |
| | Administrative expenses | 12,540 | 12,742 |
| | Non-current assets | 2,281 | 0 |
| | **Total** | **103,609** | **103,553** |
| | | | |
| | **Average number of employees** | **242** | **265** |

| | Board of Directors | | Board of Executives | | Other key staff members | |
|---|---|---|---|---|---|---|
| Parent (DKK 1,000) | 2005/2006 | 2004/2005 | 2005/2006 | 2004/2005 | 2005/2006 | 2004/2005 |
| Remuneration of members of the management | | | | | | |
| Remuneration of the Board of Directors | 260 | 260 | 0 | 0 | 0 | 0 |
| Wages and salaries | 0 | 0 | 3,022 | 3,007 | 7.717 | 6,428 |
| Pension | 0 | 0 | 207 | 207 | 360 | 358 |
| **Total** | **260** | **260** | **3,229** | **3,214** | **8,077** | **6,786** |

No employee participates in bonus plans exceeding 20 per cent of the employee's base pay.

| | Parent (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|---|
| 3 | **Depreciation, amortisation and impairment losses** | | |
| | Buildings | 8,408 | 7,852 |
| | Plant and machinery | 28,406 | 22,561 |
| | Other fixtures and fittings, tools and equipment | 11,475 | 17,391 |
| | Profit/(loss) on the sale of property, plant and equipment | 705 | (3,777) |
| | **Total** | **48,994** | **44,027** |
| | | | |
| | Depreciation, amortisation and impairment losses comprise: | | |
| | Production costs | 43,830 | 39,220 |
| | Distribution costs | 1,946 | 2,126 |
| | Administrative expenses | 3,218 | 2,681 |
| | **Total** | **48,994** | **44,027** |

# Notes

| 4 | Parent (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|---|
| | **Income from investments in subsidiaries** | | |
| | Dividend | **0** | **0** |

| 5 | Parent (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|---|
| | **Income from investments in associates** | | |
| | Dividend | **0** | **0** |

| 6 | Parent (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|---|
| | **Financial income** | | |
| | Interest income from bank deposit etc. | 2,094 | 1,371 |
| | Interest income from receivables from group enterprises | 868 | 1,622 |
| | **Total** | **2,962** | **2,993** |

| 7 | Parent (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|---|
| | **Financial expenses** | | |
| | Interest expenses from mortgage and bank debt | 2,439 | 2,692 |
| | Interest expenses from payables to group enterprises | 818 | 116 |
| | **Total** | **3,257** | **2,808** |

| 8 | Parent (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|---|
| | **Tax on profit/(loss) for the year** | | |
| | Current tax | 3,567 | 7,688 |
| | Changes in deferred tax, investments | 815 | 5,925 |
| | | **4,382** | **13,613** |
| | Changes in deferred tax resulting from a reduction in the income tax from 30 per cent to 28 per cent | (2,611) | 0 |
| | Adjustment in respect of previous financial years | (433) | (121) |
| | **Total** | **1,338** | **13,492** |

The current income tax for the financial year has been calculated on the basis of a tax rate of 28 per cent (2004/05: 30 per cent).

| | 2005/06 DKK 1,000 | 2005/06 % | 2004/05 DKK 1,000 | 2004/05 % |
|---|---|---|---|---|
| Profit/(loss) before tax | 12,491 | | 47,468 | |
| Effect of changed tax rate | 3,497 | 28.0 | 14,240 | 30.0 |
| Tax base of non-deductible costs and non-taxable profits | 885 | 7.1 | (627) | (1.3) |
| **Total** | **4,382** | **35.1** | **13,613** | **28.7** |

# Notes

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| Parent (DKK 1,000) | Land and buildings | Plant and machinery | Other plant etc. | Spare parts for own machinery | Plant under construction |
|---|---|---|---|---|---|
| **Property, plant and equipment** | | | | | |
| Cost as at 1 May 2005 | 196,532 | 499,730 | 103,069 | 6,534 | 704 |
| Additions | 2,883 | 10,837 | 11,263 | 1,770 | 13,489 |
| Disposals | (81) | (4,706) | (23,471) | (1,793) | (388) |
| **Cost as at 30 April 2006** | **199,334** | **505,861** | **90,861** | **6,511** | **13,805** |
| Depreciation and impairment losses as at 1 May 2005 | 80,418 | 281,457 | 77,155 | 0 | 0 |
| Additions in the year | 8,408 | 28,406 | 11,475 | 0 | 0 |
| Reversal on disposals | (81) | (2,977) | (21,253) | 0 | 0 |
| **Depreciation and impairment losses as at 30 April 2006** | **88,745** | **306,886** | **67,377** | **0** | **0** |
| **Carrying amount as at 30 April 2006** | **110,589** | **198,975** | **23,484** | **6,511** | **13,805** |
| The carrying amount of mortgaged land and buildings totals DKK 97.976 million. | | | | | |
| Cost as at 1 May 2004 | 184,590 | 401,599 | 106,805 | 7,107 | 852 |
| Additions | 20,746 | 99,104 | 13,527 | 2,667 | 603 |
| Disposals | (8,804) | (973) | (17,263) | (3,240) | (751) |
| **Cost as at 30 April 2005** | **196,532** | **499,730** | **103,069** | **6,534** | **704** |
| Depreciation and impairment losses as at 1 May 2004 | 77,397 | 259,661 | 76,988 | 0 | 0 |
| Additions in the year | 7,852 | 22,561 | 17,391 | 0 | 0 |
| Reversal on disposals | (4.831) | (765) | (17,224) | 0 | 0 |
| **Depreciation and impairment losses as at 30 April 2005** | **80,418** | **281,457** | **77,155** | **0** | **0** |
| **Carrying amount as at 30 April 2005** | **116,114** | **218,273** | **25,914** | **6,534** | **704** |

The carrying amount of mortgaged land and buildings totals DKK 103.088 million.

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| Parent (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|
| **Investments in subsidiaries** | | |
| Cost as at 1 May 2005 | 347,907 | 347,907 |
| Additions in connection with the purchase of investments | 168 | 0 |
| **Cost as at 30 April 2006** | **348,075** | **347,907** |
| Impairment losses as at 1 May 2005 | 204,376 | 204,376 |
| **Impairment losses as at 30 April 2006** | **204,376** | **204,376** |
| **Carrying amount as at 30 April 2006** | **143,699** | **143,531** |

Investments in subsidiaries comprise:
Darguner Brauerei GmbH, Dargun, Germany, ownership interest of 100.00 per cent
AS Viru Õlu, Haljala, Estonia, ownership interest of 98.11 per cent
Harboe Norge AS, Moss, Norway, ownership interest of 100.00 per cent
Harboefarm A/S, Skælskør, Denmark, ownership interest of 100.00 per cent
Harboe-Hallerne A/S, Skælskør, Denmark, ownership interest of 100.00 per cent
Harboe Sverige AB, Mölnlycke, Sweden, ownership interest of 100.00 per cent
Harboe Poland Sp. Z.O.O., Warsaw, Poland, ownership interest of 100.00 per cent

The annual report of Darguner Brauerei is audited by the audit firm of
Hansa Treuhand GmbH Wirtschaftsprüfungsgesellschaft, Schwerin, Germany.

The composition of ownership interests etc. in the group enterprises is consistent with that of last year, except for acquisitions in 2005/06 in Harboe Sweden and Harboe Poland.

# Notes

| 11 | Parent (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|---|
| | **Financial assets available for sale** | | |
| | Listed shares | 1,374 | 1,019 |
| | Unlisted shares | 1,489 | 1,489 |
| | Mortgage deeds | 60 | 111 |
| | **Total** | **2,923** | **2,619** |

Financial assets available for sale are measured at fair value on the balance sheet date.

| 12 | Parent (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|---|
| | **Inventories** | | |
| | Raw materials, intermediates and one-way packaging | 24,496 | 21,680 |
| | Finished goods and goods for resale | 9,359 | 11,926 |
| | **Total** | **33,855** | **33,606** |

| 13 | Parent (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|---|
| | **Trade receivables** | | |
| | Trade receivables | 91,377 | 96,479 |
| | Write-downs made for expected losses | 100 | 100 |

Write-downs are made at net realisable value, corresponding to the sum of the future net payments which the receivable is expected to yield.

| 14 | Parent (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|---|
| | **Cash** | | |
| | Cash and bank deposit | 42,365 | 40,365 |
| | Intercompany balance, net | (17,585) | 33,678 |
| | **Total** | **24,780** | **74,043** |

Cash comprises deposits in esteemed banks in the form of variable-interest demand deposits.

15 **Share capital**

The share capital totals DKK 60.0 million, distributed on DKK 6.4 million of A shares and DKK 53.6 million of B shares. Each A share amount of DKK 10 carries 10 votes, and each B share amount of DKK 10 carries 1 vote.

The B shares are listed on the Copenhagen Stock Exchange.

The past four years have not seen any movements in the share capital.

# Notes

## 16

| | 2006 No. of DKK 10 shares | 2005 No. of DKK 100 shares | Nominal value 2006 DKK 1,000 | Nominal value 2005 DKK 1,000 | Share of share capital 2006 % | Share of share capital 2005 % |
|---|---|---|---|---|---|---|
| **Treasury shares** | | | | | | |
| Treasury shares as at 1 May 2005 | 5,000 | 34,100 | 500 | 3,410 | 0.8 | 5.7 |
| Purchase of treasury shares | 0 | 0 | 0 | 0 | 0.0 | 0.0 |
| Sale of treasury shares | 0 | (29,100) | 0 | (2,910) | 0.0 | (4.9) |
| Change of denomination from DKK 100 to DKK 10 | 45,000 | 0 | 0 | 0 | 0.0 | 0.0 |
| **Treasury shares as at 30 April 2006** | **50,000** | **5,000** | **500** | **500** | **0.8** | **0.8** |

Harboes Bryggeri A/S holds treasury B shares which have been purchased to ensure optimal investment of cash funds.

According to a decision made at the general meeting held on 23 August 2005, the company can acquire treasury shares at a maximum nominal value of DKK 6.0 million, corresponding to 10 per cent of the share capital, until the next annual general meeting.

## 17

| Parent (DKK 1,000) | Deferred tax assets | Deferred tax liabilities |
|---|---|---|
| **Deferred tax liabilities** | | |
| Deferred tax as at 1 May 2004 | 33,247 | 0 |
| Changes in deferred tax recognised in the income statement | 5,924 | 0 |
| **Deferred tax as at 30 April 2005** | **39,171** | **0** |
| Changes in deferred tax recognised in the income statement | (1,796) | 0 |
| **Deferred tax as at 30 April 2006** | **37,375** | **0** |

| | 2006 | 2005 |
|---|---|---|
| Deferred tax has been recognised in the balance sheet as follows: | | |
| **Deferred tax liabilities** | **37,375** | **39,171** |

| Parent (DKK 1,000) | 01.05 | Recognised in the income statement | Recognised in equity* | 30.04 |
|---|---|---|---|---|
| **Deferred tax liabilities, continued** | | | | |
| Non-current assets | 36,689 | (1,447) | 0 | 35,242 |
| Current assets | 2,482 | (69) | 0 | 2,413 |
| Short-term liabilities | 0 | (280) | 0 | (280) |
| **Deferred tax 2006** | **39,171** | **(1,796)** | **0** | **37,375** |
| Non-current assets | 31,912 | 4,777 | 0 | 36,689 |
| Current assets | 1,335 | 1,147 | 0 | 2,482 |
| **Deferred tax 2005** | **33,247** | **5,924** | **0** | **39,171** |

Deferred tax is provided for at a Danish tax rate of 28 per cent.

* The recognition in the income statement includes the change in deferred tax resulting from the lowering of the income tax rate from 30 per cent to 28 per cent in the 2005/06 financial year.

| 18 | Parent (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|---|
| | **Repurchase obligation, returnable packaging** | | |
| | Repurchase obligations as at 1 May 2005 | 60,737 | 76,762 |
| | Provisions made during the financial year | 0 | 0 |
| | Applied and reversed in the financial year, net | (22,430) | (16,025) |
| | **Repurchase obligations as at 30 April 2006** | **38,307** | **60,737** |
| | | | |
| | **Provisions as at 30 April 2006** | **38,307** | **60,737** |
| | | | |
| | Provisions have been recognised in the balance sheet as follows: | | |
| | Short-term liabilities | 38,307 | 60,737 |
| | Long-term liabilities | 0 | 0 |
| | **Total** | **38,307** | **60,737** |

The repurchase obligation has been adjusted on the basis of the net sale of returnable packaging for the year less an estimated wastage in the volume of returnable packaging in circulation.

| 19 | Parent (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|---|
| | **Mortgage debt** | | |
| | **Mortgage debt secured upon real property** | **7,860** | **7,956** |
| | | | |
| | Mortgage debt falls due as follows: | | |
| | On demand within one year after the balance sheet date | 278 | 187 |
| | Between one and two years after the balance sheet date | 291 | 195 |
| | Between two and three years after the balance sheet date | 298 | 205 |
| | Between three and four years after the balance sheet date | 290 | 211 |
| | Between four and five years after the balance sheet date | 300 | 207 |
| | After five years after the balance sheet date | 6,403 | 6,951 |
| | **Total** | **7,860** | **7,956** |
| | | | |
| | Mortgage debt has been recognised in the balance sheet as follows: | | |
| | Short-term liabilities | 278 | 187 |
| | Long-term liabilities | 7,582 | 7,769 |
| | **Total** | **7,860** | **7,956** |

| Parent | Currency | Expiry | Fixed/ variable | Effective interest rate % | Amortised cost DKK 1,000 | Nominal value DKK 1,000 | Fair value DKK 1,000 |
|---|---|---|---|---|---|---|---|
| **30.04.2006** | | | | | | | |
| Mortgage debt | DKK | 2028 | Variabel | 3.0-3.5 | **7,860** | **8,099** | **7,860** |
| | | | | | | | |
| **30.04.2005** | | | | | | | |
| Mortgage deb | DKK | 2029 | Fast | 6.0 | **7,956** | **7,956** | **7,956** |

The fair value has been determined at the present value of expected future instalments and interest payments using the current market interest rate as the discount rate.

# Notes

| 20 | Parent (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|---|
| | **Other payables** | | |
| | Wages and salaries, holiday pay, income tax deducted at source, social contributions etc. payable | 2,909 | 3,543 |
| | Holiday pay obligations etc. | 3,932 | 4,611 |
| | VAT and taxes payable | 19,086 | 21,880 |
| | Other expenses payable | 21,483 | 21,054 |
| | **Total** | **47,410** | **51,088** |

Holiday pay obligations etc. cover obligations to pay wages and salaries during holidays, to which employees, as at the balance sheet date, have earned a right to take in the following financial year.

| 21 | Parent (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|---|
| | **Operating lease commitments** | | |
| | For the years 2006-2009, operating leases concerning the lease of machinery and other plant have been made. The leases have been made for a minimum of 3-5 years with fixed lease payments to be indexed annually. The leases are non-cancellable within the period stated, subsequent to which they may be renewed for periods of 1 year. | | |
| | Minimum lease payments recognised in the income statement | **698** | **697** |
| | The minimum lease payments comprise: | | |
| | Production | 338 | 337 |
| | Distribution | 0 | 0 |
| | Other operating expenses | 360 | 360 |
| | **Total** | **698** | **697** |
| | The total future minimum lease payments for non-cancellable leases fall due as follows: | | |
| | Within one year after the balance sheet date | 338 | 338 |
| | Between two and five years after the balance sheet date | 619 | 957 |
| | After five years after the balance sheet date | 0 | 0 |
| | **Total** | **957** | **1.295** |

| 22 | Parent (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|---|
| | **Contingent liabilities, security and contractual obligations** | | |
| | Security | | |
| | Mortgage debt has been secured by way of mortgage over properties with associated plant and machinery (mortgaged fixtures and fittings (tilbehørspant)). | | |
| | Carrying amount of mortgaged properties | **17.573** | **17.600** |
| | As security for bank debts, a mortgage deed with a nominal value of DKK 0.750 million registered to the mortgagor and secured upon Danish properties has been deposited. | | |
| | Carrying amount of mortgaged properties | **80.403** | **85.488** |
| | The parent has provided a guarantee for the mortgage debt of its subsidiaries. The guarantee has been maximised at DKK 30.5 million. | | |
| | Debt of subsidiaries | **30.487** | **41.300** |

The parent is jointly and severally liable with the other jointly taxed companies for the total income tax under the joint taxation applicable up to and including 2004.

No pending court cases etc. exist which are deemed by the management to have a serious negative impact on the parent and the financial standing of the group apart from the information stated in the annual report.

# Notes

| 23 | Parent (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|---|
| | **Changes in working capital** | | |
| | Changes in inventories | (249) | (15,061) |
| | Changes in trade receivables | 5,102 | (23,328) |
| | Changes in other receivables | 2,343 | (1,633) |
| | Changes in trade payables etc. | 3,731 | 23,203 |
| | Changes in other payables | (26,108) | (12,522) |
| | **Total** | **(15,181)** | **(29,341)** |

| 24 | Parent (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|---|
| | **Cash and cash equivalents** | | |
| | Cash and bank deposit | 42,365 | 40,365 |
| | Intercompany balance, net | (17,585) | 33,678 |
| | **Total** | **24,780** | **74,043** |

| 25 | Parent (DKK 1,000) | 2005/2006 | 2004/2005 |
|---|---|---|---|
| | **Fee to the auditors elected by the general meeting** | | |
| | Fee to the auditors of the parent elected by the general meeting for the financial year comprises: | | |
| | **Auditors:** | | |
| | Deloitte | 998 | 757 |
| | PricewaterhouseCoopers | 0 | 149 |
| | | **998** | **906** |
| | **Non-audit services** | | |
| | Deloitte | **232** | **78** |

# Notes

## 26 Currency, interest rate and credit risks

Currency risks

The total receivables and cash of the parent of DKK 163 million comprise DKK 47 million denominated in foreign currencies, which are recognised under the following items 34 in the annual report: receivables with DKK 27 million and cash with DKK 20 million. The total assets denominated in foreign currencies comprise DKK 34 million denominated in EUR.

The total liabilities of the parent of DKK 261 million comprise DKK 32 million denominated in foreign currencies. The total liabilities denominated in foreign currencies comprise DKK 29 million denominated in EUR.

Interest rate risks

The group does not hedge interest rate risks as this is not deemed financially viable.

Other information

As regards the following items, the carrying amount corresponds to the fair value of the receivable/liability:

- Trade receivables
- Other receivables
- Cash
- Trade payables
- Other payables

As regards receivables, the carrying amount also corresponds to the maximum credit risk of the three items as at 30 April 2006.

# Notes

## 27 Related parties

**Related parties with a controlling influence**

The following parties have a controlling influence on the parent and the group:

| Name | Domicile | Basis of control |
|---|---|---|
| Kirsten and Bernhard Griese | Spegerborgvej 4, 4230 Skælskør, Denmark | Shareholder with the majority of voting rights |

For an overview of subsidiaries, please refer to page 73 note 10.

**Transactions with related parties**

During the financial year, the parent has engaged in the following transactions with its related parties:

| (DKK 1,000) | Sale of goods | Purchase of goods | Sale of services | Purchase of services | Receivables | Payables |
|---|---|---|---|---|---|---|
| Owners with a controlling influence on Harboes Bryggeri A/S | | | | 3,553 | | |
| Subsidiaries | 97,036 | 22,478 | 4,736 | 1,408 | 35,157 | 40,469 |
| Members of the Board of Directors, the Board of Executives and other key staff members | | | | 8,337 | | |
| Other related parties | 45 | 1,982 | 97 | 1,409 | | |
| **Transactions 2005/06** | **97,081** | **24,460** | **4,833** | **14,707** | **35,157** | **40.469** |
| Owners with a controlling influence on Harboes Bryggeri A/S | | | | 3,538 | | |
| Subsidiaries | 28,229 | 13,568 | 2,281 | 1,868 | 26,506 | 44,091 |
| Members of the Board of Directors, the Board of Executives and other key staff members | | | | 7,046 | | |
| Other related parties | 70 | 1,584 | 100 | 793 | | |
| **Transactions 2004/05** | **28,299** | **15,152** | **2,381** | **13,245** | **26,506** | **44,091** |

The purchase of goods from and sale of goods to related parties have been conducted at market prices and at the normal selling prices of the group.

No security was provided and no guarantees were given in respect of outstanding balances as at the balance sheet date. Both receivables and payables will be settled in cash. During the financial year, no bad debts in respect of related parties were realised and no write-downs were made for probable losses.

**Remuneration etc. of the Board of Directors, the Board of Executives and other key staff members**

Please refer to note 2 for information on remuneration paid to the Board of Directors, the Board of Executives and other key staff members.

## 28 Effect of change in accounting policies in connection with the transition to IFRS

As mentioned in note 34 in the consolidated financial statements, the annual report is presented in accordance with the International Financial Reporting Standards (IFRS) as of the current financial year. The transition to IFRS means that the standards applicable at the balance sheet date in the year of transition should be applied retroactively from the first financial year represented in the annual report for the year of transition.

The most recent annual report of Harboes Bryggeri A/S for 2004/05 was presented in accordance with the Danish Financial Statements Act (Årsregnskabsloven) and Danish accounting standards. In connection with the transition to IFRS for the current financial year, an opening balance sheet has been prepared in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards, as at 1 May 2004. This opening balance has been determined in accordance with the IFRSs applicable for financial years beginning on 1 May 2005 or later, cf. the description in note 1, except for the special transitional and commencement provisions described in note 34 above to the consolidated financial statements.

# Notes

## 28

| Parent (DKK 1,000) | Previous accounting policies 01.05.2004 | Effect of transition to IFRS 01.05.2004 | IFRS 01.05.2004 | Note |
|---|---|---|---|---|
| **Effect of change in accounting policies in connection with the transition to IFRS, continued** | | | | |
| **Reconciliation of equity as at 1 May 2004** | | | | |
| (opening balance sheet) | | | | |
| Property, plant and equipment | 286,907 | 0 | 286,907 | |
| Financial assets | 277,140 | (136,530) | 140,610 | A |
| **Non-current assets** | **564,047** | **(136,530)** | **427,517** | |
| Inventories | 24,187 | 0 | 24,187 | |
| Receivables | 151,989 | 0 | 151,989 | |
| Cash | 16,250 | 0 | 16,250 | |
| **Current assets** | **192,426** | **0** | **192,426** | |
| **ASSETS** | **756,473** | **(136,530)** | **619,943** | |
| Share capital | 60,000 | 0 | 60,000 | |
| Share premium | 51,000 | 0 | 51,000 | |
| Retained earnings | 369,735 | (130,530) | 239,205 | B |
| Proposed dividend for the financial year | 6,000 | (6,000) | 0 | C |
| **Equity** | **486,735** | **(136,530)** | **350,205** | |
| Provisions | 110,009 | (110,009) | 0 | D |
| Long-term liabilities other than provisions | 10,193 | 33,247 | 43,440 | E |
| Short-term liabilities other than provisions | 149,536 | 76,762 | 226,298 | F |
| **Liabilities** | **269,738** | **0** | **269,738** | |
| **LIABILITIES AND EQUITY** | **756,473** | **(136,530)** | **619,943** | |

*Note A. Investments*

Measurement of investments in subsidiaries changed from the equity method to cost as well as impairment to fair value.

*Note B. Retained earnings*

| | |
|---|---|
| The following adjustments of the retained earnings of the parent have been made: | |
| Change in the measurement of subsidiaries from the equity method to cost as well as write-down to fair value | (136,530) |
| Reclassification of proposed dividend for the financial year | 6,000 |
| **Total** | **(130,530)** |

*Note C. Proposed dividend for the financial year*

Proposed dividend for the financial year has been reclassified and is now included in retained earnings.

*Note D. Provisions*

Provisions have been reclassified and are now included in long-term and short-term liabilities, respectively.

*Note E. Long-term liabilities other than provisions*

The following adjustments of the long-term liabilities other than provisions of the group have been made:

Reclassification of deferred tax liabilities

*Note F. Short-term liabilities other than provisions*

The following adjustments of the short-term liabilities other than provisions of the group have been made:

Reclassification of a repurchase obligation concerning returnable packaging

# Notes

## 28

| Parent (DKK 1,000) | Previous accounting policies 30.04.2005 | Effect of transition to IFRS 30.04.2005 | IFRS 30.04.2005 | Note |
|---|---|---|---|---|
| **Effect of change in accounting policies in connection with the transition to IFRS, continued** | | | | |
| **Reconciliation of equity as at 30 April 2005** | | | | |
| Property, plant and equipment | 367,539 | 0 | 367,539 | |
| Financial assets | 334,944 | (188,794) | 146,150 | A |
| **Non-current assets** | **702,483** | **(188,794)** | **513,689** | |
| Inventories | 33,606 | 0 | 33,606 | |
| Receivables | 139,057 | 0 | 139,057 | |
| Cash | 40,365 | 0 | 40,365 | |
| **Current assets** | **213,028** | **0** | **213,028** | |
| **ASSETS** | **915,511** | **(188,794)** | **726,717** | |
| Share capital | 60,000 | 0 | 60,000 | |
| Share premium | 51,000 | 0 | 51,000 | |
| Reserves | 0 | 309 | 309 | B |
| Retained earnings | 501,958 | (180,103) | 321,855 | C |
| Proposed dividend for the financial year | 9,000 | (9,000) | 0 | D |
| **Equity** | **621,958** | **(188,794)** | **433,164** | |
| Provisions | 99,908 | (99,908) | 0 | E |
| Long-term liabilities other than provisions | 7,769 | 39,171 | 46,940 | F |
| Short-term liabilities other than provisions | 185,876 | 60,737 | 246,613 | G |
| **Liabilities** | **293,553** | **0** | **293,553** | |
| **LIABILITIES AND EQUITY** | **915,511** | **(188,794)** | **726,717** | |

*A. Investments*

Measurement of investments in subsidiaries changed from the equity method to cost less write-down to fair value.

*B. Reserves*

| | |
|---|---|
| The following adjustments of other reserves of the parent have been made: | |
| Adjustment to fair value of financial assets available for sale has been classified from retained earnings | **309** |

*C. Retained earnings*

| | |
|---|---|
| The following adjustments of the retained earnings of the parent have been made: | |
| Change in the measurement of subsidiaries from the equity method to cost as well as write-down to fair value | (136,668) |
| Change of profit/(loss) due to a change in the measurement of subsidiaries | (52,126) |
| Adjustment to fair value of financial assets available for sale, transferred to other reserves | (309) |
| Reclassification of proposed dividend for the financial year | 9,000 |
| **Total** | **(180,103)** |

*D. Proposed dividend for the financial year*

Proposed dividend for the financial year has been reclassified and is now included in retained earnings.

*E. Provisions*

Provisions have been reclassified and are now included in long-term and short-term liabilities, respectively.

*F. Long-term liabilities other than provisions*

Reclassification of deferred tax liabilities

*G. Short-term liabilities other than provisions*

Reclassification of a repurchase obligation concerning returnable packaging

# Notes

## 28

| Parent (DKK 1,000) | Previous accounting policies 2004/05 | Effect of transition to IFRS 2004/05 | IFRS 2004/05 | |
|---|---|---|---|---|
| **Effect of change in accounting policies in connection with the transition to IFRS, continued** | | | | |
| **Reconciliation of income statement for 2004/05** | | | | |
| Revenue | 594,655 | 0 | 594,655 | |
| Production costs | (425,468) | 73 | (425,395) | A |
| **Gross profit** | **169,187** | **73** | **169,260** | |
| Distribution costs | (100,348) | 0 | (100,348) | |
| Administrative expenses | (21,629) | 0 | (21,629) | |
| **Operating profit** | **47,210** | **73** | **47,283** | |
| Income from investments in subsidiaries | 82,858 | (82,858) | 0 | B |
| Financial income | 3,375 | (382) | 2,993 | C |
| Financial expenses | (2,808) | 0 | (2,808) | |
| **Profit/(loss) before tax** | **130,635** | **(83,167)** | **47,468** | |
| Tax on profit/(loss) for the year | (44,224) | 30,732 | (13,492) | D |
| **NET PROFIT/(LOSS) FOR THE YEAR** | **86,411** | **(52,435)** | **33,976** | |

*Note A. Production costs*

Reclassification of cash discounts received has been made.

*Note B. Income from investments in subsidiaries*

Change in accounting policies. Previously, the share of profit/(loss) for the year before tax was recognised according to the equity method.

*Note C. Financial income*

The following adjustments of the financial income have been made:

| | |
|---|---|
| Reclassification of cash discounts received, transferred to production costs | (73) |
| Adjustment to fair value of financial assets available for sale | (309) |
| **Total** | **(382)** |

*Note D. Tax on profit/(loss) for the year*

Change in accounting policies. Previously, the share of tax in group enterprises was recognised according to the equity method.


# Company Information

**Company**

Harboes Bryggeri A/S

Spegerborgvej 34, DK-4230 Skælskør, Denmark

CVR no. 43 91 05 15

Registered in: Skælskør

Financial year: 01.05 – 30.04

Internet: www.harboes.dk

**Board of Directors**

Anders Nielsen, Chairman, lawyer

Bernhard Griese, CEO

Preben K. Nielsen, CEO

Kirsten Griese, nurse

Vibeke Harboe Malling, marketing coordinator

Karina Harboe Laursen, staff coordinator

Jens Bjarne Jensen, brewery worker *

Anders Wibskov, brewery worker *

*) Staff representative

**Board of Executives**

Bernhard Griese

**Auditors**

Deloitte Statsautoriseret Revisionsaktieselskab

# Members of the Board of Directors, other managerial posts:

| Name | Membership of Boards of Directors | Membership of Boards of Executives |
| --- | --- | --- |
| Lawyer Anders Nielsen, Chairman | Retailia A/S, FPR Forsikringsmægleraktieselskab, Arking Arkitekter og Ingeniører A/S, Budde, Schou og Ostenfeld International A/S and Budde, Schou og Ostenfeld A/S | |
| CEO Preben Kurt Nielsen | Jyden Workwear A/S (Chairman), Tika Holding A/S, Tika Invest A/S, TBP Invest, Aalborg A/S, Løgstrup Dambrug A/S, Vingmed Danmark A/S and Musholm Lax A/S | Nowaco Group A/S and Nowaco A/S as well as member of the Board of Directors of a subsidiary thereof |
| CEO Bernhard Griese | Chris-Wine A/S (Chairman), Best Poultry International A/S (Chairman), Velisco Farm A/S, Keldernæs A/S, Visbjerggården A/S, Lundegård A/S, Buskysminde A/S Rugbjerggård A/S and Danfrugt Skælskør A/S. | Harboes Bryggeri A/S |

# Notes


Darguner Brauerei

Skønvirke