Aarstiderne A/S

Barritskovvej 34, 7150 Barrit

CVR no. 12 54 29 76

Annual report 2016

Approved at the annual general meeting of shareholders on February 9, 2017

Chairman:

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Building a better working world

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Aarstiderne A/S for the financial year 1 January - 31 December 2016.

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

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2016 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2016.

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

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

Barrit, 9 February 2017
Executive Board:

Annette Hartvig Larsen	Thomas Slott

Board of Directors:

Thomas Harttung Chairman	Søren Ejlersen	Riella Hollander

Independent auditors' report

To the shareholders of Aarstiderne A/S

Opinion

We have audited the financial statements of Aarstiderne A/S for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016, and of the results of the Company operations as well as the cash flows for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

Independent auditors' report

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on Management's review

Management is responsible for the Management's review.

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

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

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

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

Aarhus, 9 February 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Gert Foldager
State Authorised Public Accountant

Management's review

Company details

Name	Aarstiderne A/S
Address, Postal code, City	Barritskovvej 34, 7150 Barrit
CVR no.	12 54 29 76
Established	1 November 1988
Registered office	Hedensted
Financial year	1 January - 31 December
Website	www.aarstiderne.com
Telephone	+45 70 26 00 66
Telefax	+45 70 26 00 67
Board of Directors	Thomas Harttung, Chairman Søren Ejlersen Riella Hollander
Executive Board	Annette Hartvig Larsen Thomas Slott
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330, 8100 Aarhus C, Denmark

Management's review

Financial highlights

DKK'000	2016	2015	2014	2013	2012
Key figures					
Revenue	566,648	452,444	367,604	300,482	248,852
Gross margin	151,899	123,648	99,303	83,011	68,005
Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA)	57,592	48,460	35,196	24,968	13,936
Profit before net financials	48,769	42,232	29,827	15,924	6,651
Net financials	56	204	-1,807	-960	-1,177
Profit/loss for the year	**38,493**	**32,687**	**21,483**	**11,504**	**3,953**
Total assets	121,798	98,771	73,865	71,201	104,339
Equity	**38,661**	**32,691**	**20,234**	**20,025**	**27,499**
Financial ratios					
Operating margin	8.6%	9.3%	8.1%	5.3 %	2.7 %
Gross margin	26.8%	27.3%	27.0%	27.6%	27.3%
Solvency ratio	31.7%	33.1%	27.4%	28.1%	26.4%
Return on equity	107.9%	123.5%	106.7%	48.4%	14.2%
Return on capital employed	128.8%	137.0%	120.1%	71.7%	24.4%
Average number of employees	189	154	130	124	113

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations on the calculation of financial ratios "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.

Management's review

Management commentary

Business review

The Company's principal activities are to deliver organic products and meal solutions directly to private households, offices, catering companies and other businesses and institutions.

Objective

Aarstiderne recreates the close links between the work of the organic farmer and the work in all the kitchens - transforming the bounties of the land into feasts of good, nutritious, seasonal and inspired food.

Financial review

Revenue in the year under review totalled DKK 566.6 million and profit before tax totalled DKK 49.2 million. Profit after tax totalled DKK 38.5 million, and equity totalled DKK 38.7 million at 31 December 2016.

The pre tax profit for the year was DKK 6.4 million higher than in 2015.

2016 was another year of growth for the business. The year was therefore characterized by a much needed, substantial and successful reconstruction and expansion of the packing facilities at Barritskov. The growth also meant the hiring of many new employees and more work done to secure the efficiency and flexibility within the organization and last but not least to secure supplies.

Conclusion

The executive management team and the board of directors consider the Company's financial performance in 2016 satisfactory.

Profit appropriation

Management recommends that the profit for the year, DKK 38.5 million, net of the distributed profits of DKK 32.6 million, is carried forward.

Equity

Equity came at DKK 38.7 million at 31 December 2016 (2015: DKK 32.7 million), corresponding to 31.7% (2015: 33.1%) of the balance sheet total.

Management's review

Management commentary

Non-financial matters

Special risks

Price risks

Aarstiderne maintains comprehensive cooperation with growers inside and outside of Denmark. As a consequence, the forward price situation is well known within a 12 month perspective. This unique collaboration was deepened further in 2016 through continued concerted efforts.

Currency risks

The Company pays its foreign suppliers in EUR or DKK.

All income is in DKK or SEK. The Company hedged its currency risk throughout 2016. The Company intends to do the same in 2017. Revenue in SEK is expected to represent between 5 and 10 % of total revenue in 2017.

Knowledge resources

The Company continuously accumulates internal knowledge with regard to its business model, customers and suppliers. Throughout 2016, emphasis was put on developing the cooperation with suppliers, expanding the diversity and the level of cooperation with farmers and producers of organic food. In 2016 emphasis has also been put on the continuing development of the relationship with the customers among other through a line of initiatives such as invitation to country kitchens.

Co workers' commitment and ability to take charge of their situation is encouraged through cross cutting work groups and development projects.

Impact on the external environment

As an organically certified entity and due to its articles of association, Aarstiderne is committed to minimising its energy consumption, avoiding any unnecessary negative impact on the environment and using local resources as much as possible. This is reflected in a comprehensive Environmental Assessment report, which governs company policy in this area and establishes frameworks for engagement and action plans.

The Company engages in carbon accounting, emissions are monitored and reduction projects are assessed.

The Company maintained organic certification throughout the financial year.

Research and development activities

On the two host farms Barritskov and Krogerup Avlsgaard, test fields are used to gain knowledge and test new varieties of vegetables, herbs, flowers etc. to be incorporated in the composition of the company's boxes.

The Company has tested 29 heirloom varieties of peas and beans for the purpose of reinventing the supply of plant based protein from Danish sources. The project is run in cooperation with other organic farmers and The Danish Technological Institute.In corporation with University of Aarhus, a local hospital and the organic farmer's organization bitter tasting vegetables are tested aiming to find the right varieties to supply diabetes-2-patients with the right metabolites to better control the medical disorder.

The Company in 2016 finished a development project with the use of GPS in vegetable production. Machines for using mobile green manure as a main contributor to Nitrogen supply are now developed and integrated in the vegetable growing system. In this way animal manure is substituted by green manure.

Management's review

Management commentary

At the compost site at Krogerup Avlsgaard, the Company is incorporating still more nutrients from residue material of nature conservation areas. The work is done in cooperation with the local municipality and the Danish Ornithological Society.Together with The Danish Technological Institute and several private companies Aarstiderne joins a project with controlling ethylene gasses in our storage facilities to lower the amount of fruit and vegetables wasted during storage.

Foreign branches

The Company has a minor branch in Sweden.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Outlook

2017 is expected to deliver stable performance, continued revenue growth and a higher profit for the year.

In 2017, emphasis will be on continued development of the Company's products and markets and cooperation with producers inside and outside of Denmark and Sweden.

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK'000	2016	2015
	Revenue	566,648	452,444
	Other operating income	3,355	2,919
	Raw materials and consumables	-285,423	-227,624
	Other external expenses	-132,681	-104,091
	Gross margin	151,899	123,648
2	Staff costs	-94,307	-75,188
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-8,823	-6,228
	Profit before net financials	48,769	42,232
	Income from investments in associates	329	301
	Financial income	487	368
	Financial expenses	-431	-164
	Profit before tax	49,154	42,737
3	Tax for the year	-10,661	-10,050
	Profit for the year	38,493	32,687

	2016	2015
Proposed profit appropriation		
Extraordinary dividend distributed in the year	32,620	20,140
Retained earnings	5,873	12,547
	38,493	32,687

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2016	2015
	ASSETS		
	Fixed assets		
4	**Intangible assets**		
	IT Platform	3,612	4,160
	Intellectual property rights and trademarks	6,347	7,014
	Goodwill	1,867	2,069
	Development projects in progress and prepayments for intangible assets	2,891	0
		14,717	13,243
5	**Property, plant and equipment**		
	Other fixtures and fittings, tools and equipment	34,298	9,348
	Property, plant and equipment in progress	0	2,321
		34,298	11,669
6	**Investments**		
	Investments in associates, net asset value	46	56
		46	56
	Total fixed assets	49,061	24,968
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	1,613	1,282
	Finished goods and goods for resale	11,457	7,143
		13,070	8,425
	Receivables		
	Trade receivables	17,354	16,004
	Receivables from group entities	175	302
	Other receivables	7,247	7,952
7	Prepayments	2,581	2,625
		27,357	26,883
	Cash at bank and in hand	32,310	38,495
	Total non-fixed assets	72,737	73,803
	TOTAL ASSETS	121,798	98,771

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2016	2015
	EQUITY AND LIABILITIES		
	Equity		
8	Share capital	7,091	7,091
	Reserve for development costs	3,652	0
	Retained earnings	27,918	25,600
	Total equity	38,661	32,691
	Provisions		
10	Deferred tax	2,149	2,279
	Total provisions	2,149	2,279
	Liabilities other than provisions		
9	**Non-current liabilities other than provisions**		
	Lease liabilities	8,964	0
		8,964	0
	Current liabilities other than provisions		
9	Current portion of long-term liabilities	2,073	0
	Prepayments received from customers	862	893
	Trade payables	43,131	36,782
	Payables to group entities	27	528
	Deposits, customers	1,544	1,449
	Other payables	24,387	24,149
		72,024	63,801
	Total liabilities other than provisions	80,988	63,801
	TOTAL EQUITY AND LIABILITIES	121,798	98,771

1 Accounting policies
11 Contractual obligations and contingencies, etc.
12 Collateral
13 Related parties

Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK'000	Share capital	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2016	7,091	0	25,600	32,691
Profit/loss for the year	0	0	38,493	38,493
Equity transferred to reserves	0	3,652	-3,652	0
Exchange adjustment	0	0	125	125
Tax on items recognised directly in equity	0	0	-28	-28
Extraordinary dividend distributed	0	0	-32,620	-32,620
Equity at 31 December 2016	7,091	3,652	27,918	38,661

Financial statements for the period 1 January - 31 December

Cash flow statement

Notes	DKK'000	2016	2015
	Profit for the year	38,493	32,687
14	Adjustments	8,450	6,037
	Cash generated from operations (operating activities)	46,943	38,724
15	Changes in working capital	1,128	3,380
	Cash generated from operations (operating activities)	48,071	42,104
	Interest received, etc.	487	368
	Interest paid, etc.	-431	-164
	Cash flows from operating activities	48,127	42,308
	Additions of intangible assets	-4,891	-2,214
	Additions of property, plant and equipment	-28,073	-4,936
	Disposals of property, plant and equipment	225	366
	Income from investments in associated enterprises	-329	-303
	Dividend received from associates	339	299
	Cash flows to investing activities	-32,729	-6,788
	Dividends paid	-32,620	-20,140
	Proceeds of debt, finance leases	11,417	0
	Repayments, finance leases	-380	0
	Cash flows from financing activities	-21,583	-20,140
	Net cash flow	-6,185	15,380
	Cash and cash equivalents at 1 January	38,495	23,115
16	**Cash and cash equivalents at 31 December**	32,310	38,495

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Aarstiderne A/S for 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act to report medium-sized reporting class C entities.

Effective 1 January 2016, the Company has early adopted act no. 738 of 1 July 2015. This implies changes in the recognition and measurement in the following areas:

An amount corresponding to development costs recognised are in future tied up in a special reserve under equity called "Reserve for development costs". The amount is tied up in a special reserve, which cannot be used to distribute dividend or cover losses. If the development costs recognised are sold or in some other way no longer form part of the Company's operations, the reserve will be dissolved or reduced by a transfer directly to distributable reserves under equity. If the recognised development costs are written down, part of the reserve for development costs must be reversed. The reversed portion corresponds to the write-down of the development costs. If a write-down of the development costs is subsequently reversed, the reserve for development costs must be re-established. The reserve for development costs is also reduced by amortisation charges. In doing so, the equity reserve will not exceed the amount recognised in the balance sheet as development costs.

None of the above changes affects the income statement or the balance sheet for 2016 or the comparative figures.

Apart from the above new and changed presentation and disclosure requirements, which follow from act. no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

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

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in "Other receivables" and "Other payables", respectively.

Fair value adjustments of derivative financial instruments designated as and qualifying for hedging of future assets or liabilities are recognised in other receivables or other payables, respectively, and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects the profit/loss for the year.

Fair value adjustments of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement on a current basis.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Leases

Leases for property, plant and equipment that transfer substantially all the risks and rewards incident to ownership to the company (finance leases) are initially recognised in the balance sheet at the lower of fair value and the present value of the minimum lease payments. In calculating the present value of the minimum lease payments the discount factor is the interest rate implicit in the lease, if this is practicable to determine; if not, an approximation of this is used. Finance leases are subsequently treated as the Company's other fixed assets.

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

All other leases are considered operating leases. Payments relating to operating leases and any other lease agreements are recognised in the income statement over the term of the lease. The Company's total liability relating to operating leases and other lease agreements is disclosed in contingent liabilities etc.

Public grants

Public grants to cover expenses are recognised in the income statement when it is deemed likely that all grant criteria have been met. Grants which must be repaid under certain circumstances are recognised only where they are not expected to be repaid.

Income statement

Revenue

Revenue from the sale of goods for resale is recognised in the income statement provided that delivery and transfer of risk to the buyer has taken place before year-end and that the income can be reliably measured and is expected to be received.

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

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of non-current assets.

Raw materials and consumables, etc.

Costs of raw materials, consumables and goods for resale comprise purchases for the year and the change in the inventory of raw materials, consumables and goods for resale.

Other external expenses

Other external expenses comprise costs of packaging, distribution, sales, advertising, administration, premises, motor vehicles, operation of machines, bad debts, operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The cost net of the expected residual value for completed development projects and acquired IP rights is amortised over the expected useful life. Acquired IP rights include patents, rights and licences.

Amortisation is recognised in the income statement.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Goodwill	20 years
IT platform	3-5 years
Intellectual property rights and trademarks	5-20 years

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

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Other fixtures and fittings, tools and equipment	3-10 years

Income from investments in associates

The item includes the Company's proportionate share of the profit/loss for the year in associates after elimination of intra-group income or losses and net of amortisation and impairment of goodwill and other excess values at the time of acquisition.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company and its Danish group entities are jointly taxed. The Danish income tax charge is allocated between profit making and loss making Danish entities in proportion to their taxable income).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Intangible assets

Goodwill is amortised over its estimated useful life determined on the basis of Management's experience of the specific business areas. Goodwill is amortised over a period of 20 years or less, as this amortisation period is considered the best way to reflect the utility of the resources in question.

Other intangible assets comprise the IT platform, ongoing development projects, intellectual rigths and trademarks.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Development projects regarding products and processes that are clearly defined and identifiable, where the technical utilisation degree, sufficient resources and a potential future market or development opportunities in the Company is evidenced, and where the Company intends to produce, market or use the project or the process in question, are recognised as intangible assets. Other development costs are recognised in the income statement when incurred.

Development costs comprise costs, including salaries and travelling expenses that are directly and indirectly attributable to the development projects.

Following the completion of the development work, development costs are amortised on a straight line basis over the estimated useful life. The amortisation period is usually five years.

The IT platform is measured at cost less accumulated amortisation and impairment. Cost comprises the acquisition price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Intellectual property rights and trademarks are measured at cost less accumulated amortisation and impairment. Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Gains and losses on the disposal of intangible assets are determined as the difference between the sales price less disposal costs and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement as other operation income or other operation costs, respectively.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

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

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Investments in associates

On initial recognition, investments in associates are measured at cost and subsequently at the proportionate share of the entities' net asset values calculated in accordance with the parent company's accounting policies minus or plus any residual value of positive or negative goodwill calculated in accordance with the purchase method of accounting. Associates with a negative net asset value are measured at DKK 0 (nil), and any amounts owed by such entities are written down by the parent company's share of the net asset value if the amount owed is deemed irrecoverable. If the negative net asset value exceeds the amounts owed, the remaining amount is recognised under provisions if the parent company has a legal or a constructive obligation to cover the entity's deficit. Net revaluations of investments in associates are transferred to the net revaluation reserve according to the equity method where the carrying amount exceeds the acquisition cost.

Newly acquired or formed entities are recognised in the financial statements from the date of acquisition or formation. Entities sold or otherwise disposed of are recognised up to the date of disposal.

Corporate acquisitions are accounted for using the purchase method according to which the acquired entity's identifiable assets and liabilities are measured at fair value at the date of acquisition. In connection with the acquisition, a provision is made for expenses related to adopted plans to restructure the acquired entity. The tax effect of revaluations made is taken into account.

Impairment of non-current assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost in accordance with the weighted average price. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other expenses directly attributable to the acquisition.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables with no objective indication of individual impairment are tested for objective indication of impairment on a portfolio basis.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Equity

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividends or cover losses. The reserve will be reduced or dissolved if the recognised development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Lease liabilities

Lease liabilities are measured at the net present value of the remaining lease payments including any guaranteed residual value based on the interest rate implicit in the lease.

Deferred income

Prepayments from customers comprise payments received concerning income invoiced in the following year.

Advance invoicing of revenue comprises revenue excluding VAT on goods invoiced, but not yet delivered.

Deposits, customers, comprise deposits invoiced to the subscribers.

Cash flow statement

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

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non cash operating items, changes in working capital and paid corporate income tax.

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

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related expenses as well as raising of loans, repayment of interest bearing debt and payment of dividends to shareholders.

Cash and cash equivalents comprise cash, short term bank loans and short term securities which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating margin	$\frac{\text{Operating profit x 100}}{\text{Revenue}}$
Gross margin ratio	$\frac{\text{Gross margin x 100}}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit/loss for the year after tax x 100}}{\text{Average equity}}$
Return on capital employed	$\frac{\text{Operating profit x 100}}{\text{Average operating assets}}$

Financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK'000	2016	2015
2 **Staff costs**		
Wages/salaries	86,274	68,967
Pensions	6,905	5,296
Other social security costs	1,128	925
	94,307	75,188
Average number of full-time employees	189	154

Remuneration to members of management:

DKK'000	2016	2015
Executive board	3,848	3,930
Board of Directors	500	500
	4,348	4,430

3 **Tax for the year**		
Estimated tax charge for the year	10,791	10,037
Deferred tax adjustments in the year	-130	13
	10,661	10,050

The estimated tax charge for the year includes tax refunds paid, totalling DKK 10,791 thousand, between jointly taxed entities.

In addition, tax on equity DKK 28 thousand (2015: DKK -29 thousand).

Financial statements for the period 1 January - 31 December

Notes to the financial statements

4 Intangible assets

DKK'000	IT Platform	Intellectual property rights and trademarks	Goodwill	Development projects in progress and prepayments for intangible assets	Total
Cost at 1 January 2016	13,755	12,165	3,818	0	29,738
Additions in the year	1,972	28	0	2,891	4,891
Disposals in the year	-1,111	0	0	0	-1,111
Cost at 31 December 2016	14,616	12,193	3,818	2,891	33,518
Impairment losses and amortisation at 1 January 2016	9,595	5,151	1,749	0	16,495
Amortisation/depreciation in the year	2,520	695	202	0	3,417
Reversal of amortisation/depreciation and impairment of disposals	-1,111	0	0	0	-1,111
Impairment losses and amortisation at 31 December 2016	11,004	5,846	1,951	0	18,801
Carrying amount at 31 December 2016	3,612	6,347	1,867	2,891	14,717
Amortised over	3-5 years	5-20 years	20 years		

5 Property, plant and equipment

DKK'000	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
Cost at 1 January 2016	35,004	2,321	37,325
Additions in the year	28,073	0	28,073
Disposals in the year	-3,840	0	-3,840
Transfer from other accounts	2,321	-2,321	0
Cost at 31 December 2016	61,558	0	61,558
Impairment losses and depreciation at 1 January 2016	25,656	0	25,656
Amortisation/depreciation in the year	5,405	0	5,405
Reversal of amortisation/depreciation and impairment of disposals	-3,801	0	-3,801
Impairment losses and depreciation at 31 December 2016	27,260	0	27,260
Carrying amount at 31 December 2016	34,298	0	34,298
Property, plant and equipment include finance leases with a carrying amount totalling	10,494	0	10,494
Amortised over	3-10 years		

Financial statements for the period 1 January - 31 December

Notes to the financial statements

6 **Investments**

DKK'000	Investments in associates, net asset value
Cost at 1 January 2016	13
Cost at 31 December 2016	13
Value adjustments at 1 January 2016	43
Dividend distributed	-339
Share of the profit/loss for the year	329
Value adjustments at 31 December 2016	33
Carrying amount at 31 December 2016	46

DKK'000	Legal form	Domicile	Interest
Associates			
ÅT Ekologiskt KB	Kommandit selskab	Hägersten, Sverige	30.00 %

7 **Prepayments**

Prepayments comprise prepaid expenses regarding rent, insurance premiums, subscriptions and returnable packaging and boxes.

DKK'000	2016	2015
8 **Share capital**		
Analysis of the share capital:		
7,091,400 shares of DKK 1.00 nominal value each	7,091	7,091
	7,091	7,091

The Company's share capital has remained DKK 7,091 thousand over the past 5 years.

9 **Long-term liabilities**

DKK'000	Total debt at 31/12 2016	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Lease liabilities	11,037	2,073	8,964	0
	11,037	2,073	8,964	0

Financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK'000	2016	2015
10 Deferred tax		
Deferred tax at 1 January	2,279	2,266
Deferred tax adjustment in the year, profit & loss	-130	13
Deferred tax at 31 December	2,149	2,279
Deferred tax relates to:		
Intangible assets	2,361	2,619
Property, plant and equipment	-584	-760
Receivables	58	78
Inventories	433	384
Provisions	0	-42
Liabilities	-119	0
	2,149	2,279

11 Contractual obligations and contingencies, etc.

Other contingent liabilities

DKK'000	2016	2015
Guarantee commitments	0	325
	0	325

The Company is jointly taxed with its parent, Barritskov Holding ApS, which acts as management company, and has limited and alternative liability together with other jointly taxed group entities for payment of income taxes as well as withholding taxes on interest, royalties and dividends.

Other financial obligations

Other rent and lease liabilities:

DKK'000	2016	2015
Rent and lease liabilities	57,784	47,780

The Company has entered into eight leases for office space, pack house, terminals and warehousing with a rent commitment for 2017-2025 of DKK 52,921 thousand (2015: DKK 43,774 thousand).

Operating lease commitments total DKK 4,863 thousand (2015: DKK 4,006 thousand).

Financial statements for the period 1 January - 31 December

Notes to the financial statements

12 Collateral

As security for the Company's debt to other credit institutions, the Company has placed assets or other as security, worth a total of DKK 25,000 thousand. The total carrying amount of the assets having been put up as security is DKK 79,614 thousand. Breakdown of the security and the carrying amount:

Amounts owed to Sydbank are secured by a letter of indemnity, DKK 17,000 thousand (2015: DKK 17,000 thousand), secured trade receivables, stocks, operation equipment, goodwill and intellectual property rights.

The Company has issued letters of indemnity totaling DKK 8,000 thousand (2015: DKK 8,000 thousand) secured on fixtures and fittings, tools and equipment.

13 Related parties

Aarstiderne A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Thomas Harttung A/S	Hedensted	Majority shareholder

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Barritskov Holding ApS	Hedensted, Denmark	At the Company authorities

Group enterprise transactions not carried through on normal market terms

In the year, no related party transactions that were not carried through on normal market terms took place.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

	DKK'000	2016	2015
14	**Adjustments**		
	Amortisation/depreciation and impairment losses	8,823	6,228
	Gain/loss on the sale of non-current assets	-187	0
	Financial income	-487	-368
	Financial expenses	431	164
	Deferred tax	-130	13
		8,450	6,037
15	**Changes in working capital**		
	Change in inventories	-4,645	-3,342
	Change in receivables	-474	-5,624
	Change in trade and other payables	6,149	12,438
	Other changes in working capital	98	-92
		1,128	3,380
16	**Cash and cash equivalents at year-end**		
	Cash according to the balance sheet	32,310	38,495
		32,310	38,495