Aarstiderne A/S

Barritskovvej 34, 7150 Barrit

CVR no. 12 54 29 76

Annual report 2017

Approved at the Company's annual general meeting on 9 March 2018

Chairman:

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Contents

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Aarstiderne A/S for the financial year 1 January - 31 December 2017.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2017.

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 March 2018
Executive Board:

Annette Hartvig Larsen	Thomas Slott	Philip Thestrup

Board of Directors:

Thomas Harttung Chairman	Søren Ejlersen	Riella Hollander

Independent auditor's 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 2017, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations as well as the cash flows for the financial year 1 January - 31 December 2017 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group 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.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Independent auditor's 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 conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Aarhus, 9 March 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Gert Foldager
State Authorised Public Accountant
MNE no. mne10871

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
Board of Directors	Thomas Harttung, Chairman Søren Ejlersen Riella Hollander
Executive Board	Annette Hartvig Larsen Thomas Slott Philip Thestrup
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330, 8100 Aarhus C, Denmark

Management's review

Financial highlights

DKK'000	2017	2016	2015	2014	2013
Key figures					
Revenue	672,028	566,648	452,444	367,604	300,482
Gross margin	175,322	151,899	123,648	99,303	83,011
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	63,593	57,592	48,460	35,196	24,968
Operating profit/loss	52,087	48,769	42,232	29,827	15,924
Net financials	-169	56	204	-1,807	-960
Profit/loss for the year	**40,381**	**38,493**	**32,687**	**21,483**	**11,504**
Total assets	149,327	121,805	98,771	73,865	71,201
Equity	**61,313**	**38,661**	**32,691**	**20,234**	**20,025**
Financial ratios					
Operating margin	7.8%	8.6%	9.3%	8.1 %	5.3 %
Gross margin	26.1%	26.8%	27.3%	27.0%	27.6%
Solvency ratio	41.1%	31.7%	33.1%	27.4%	28.1%
Return on equity	80.8%	107.9%	123.5%	106.7%	48.4%
Return on capital employed	112.3%	128.8%	137.0%	120.1%	71.7%
Average number of employees	**224**	**189**	**154**	**130**	**124**

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

Management's review

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 2017 totalled DKK 672.0 million (2016: DKK 566.6 million) and profit before tax totalled DKK 51.9 million (2016: DKK 49.2 million). Profit after tax totalled DKK 40.4 million (2016: DKK 38.5 million) and equity totalled DKK 61.3 million (DKK 38.7 million) at 31 December 2017.

The pre-tax profit for the year was DKK 2.8 million higher than in 2016. This profit growth is lower than in 2016 as a percentage of revenue.

There are two main reasons for this, which relate to the growth and further development of the Company:

Increased investment in marketing and customer-loyalty activities.

Increased depreciation and amortisation due to continued investments in warehouse facilities and in IT.

Conclusion

The executive management team and the Board of Directors consider the Company's financial performance in 2017 satisfactory.

Profit appropriation

Management proposes that the profit for the year, DKK 40.4 million, net of the distributed profits of DKK 22.7 million, is carried forward.

Equity

Equity came in at DKK 61.3 million at 31 December 2017 (2016: DKK 38.7 million), corresponding to 41.1% (2016: 31.7%) of the balance sheet total.

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 further deepened in 2017 through continued concerted efforts.

Currency risks

More than 90% of revenue is received in DKK.

The Company pays its foreign suppliers predominantly in EUR, DKK and SEK.

While impacting immediate profitability of the Swedish branch, fluctuations in the value of SEK are not seen to pose any material risk to the Company.

Management's review

Knowledge resources

The Company accumulates internal knowledge with regard to its business model, customers and suppliers on a continual basis. Throughout 2017, 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 2017, emphasis has also been put on the continuing development of the relationship with the customers among other through a line of initiatives such as invitations to country kitchen events.

The commitment and ability of co-workers 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 chosen heirloom varieties of peas and beans for propagating varieties 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 cooperation with the University of Aarhus, a local hospital and the organic farmer's organisation, 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.

Foreign branches

The Company maintains a 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

2018 is expected to deliver stable performance, continued revenue growth and a higher profit for the year.

In 2018, 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 1 January - 31 December

Income statement

Note	DKK'000	2017	2016
	Revenue	672,028	566,648
	Other operating income	3,375	3,355
	Raw materials and consumables	-340,381	-285,423
	Other external expenses	-159,700	-132,681
	Gross margin	175,322	151,899
2	Staff costs	-111,729	-94,307
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-11,506	-8,823
	Profit before net financials	52,087	48,769
	Income from investments in associates	0	329
	Financial income	591	487
	Financial expenses	-760	-431
	Profit before tax	51,918	49,154
3	Tax for the year	-11,537	-10,661
	Profit for the year	40,381	38,493

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2017	2016
	ASSETS		
	Fixed assets		
4	**Intangible assets**		
	IT Platform	9,409	3,612
	Intellectual property rights and trademarks	6,174	6,347
	Goodwill	1,665	1,867
	Development projects in progress and prepayments for intangible assets	0	2,891
		17,248	14,717
5	**Property, plant and equipment**		
	Other fixtures and fittings, tools and equipment	31,737	34,298
	Property, plant and equipment in progress	2,125	0
		33,862	34,298
6	**Investments**		
	Investments in associates, net asset value	0	46
		0	46
	Total fixed assets	51,110	49,061
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	1,406	1,613
	Finished goods and goods for resale	16,670	11,457
		18,076	13,070
	Receivables		
	Trade receivables	18,867	17,354
	Joint taxation contribution receivable	1,230	182
	Other receivables	7,795	7,247
7	Prepayments	6,404	2,581
		34,296	27,364
	Cash	45,845	32,310
	Total non-fixed assets	98,217	72,744
	TOTAL ASSETS	149,327	121,805

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2017	2016
	EQUITY AND LIABILITIES		
	Equity		
8	Share capital	7,091	7,091
	Reserve for development costs	7,055	3,652
	Retained earnings	47,167	27,918
	Total equity	61,313	38,661
	Provisions		
10	Deferred tax	3,314	2,149
	Total provisions	3,314	2,149
	Liabilities other than provisions		
9	**Non-current liabilities other than provisions**		
	Lease liabilities	7,167	8,964
		7,167	8,964
	Current liabilities other than provisions		
9	Current portion of long-term liabilities	2,146	2,073
	Prepayments received from customers	994	862
	Trade payables	49,523	43,131
	Payables to group entities	7	34
	Deposits, customers	1,217	1,544
	Other payables	23,646	24,387
		77,533	72,031
	Total liabilities other than provisions	84,700	80,995
	TOTAL EQUITY AND LIABILITIES	149,327	121,805

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

Financial statements 1 January - 31 December

Statement of changes in equity

	DKK'000	Share capital	Reserve for development costs	Retained earnings	Total
	Equity at 1 January 2017	7,091	3,652	27,918	38,661
14	Transfer, see "Appropriation of profit"	0	-1,289	23,941	22,652
	Equity transferred to reserves	0	4,692	-4,692	0
	Equity at 31 December 2017	7,091	7,055	47,167	61,313

Financial statements 1 January - 31 December

Cash flow statement

Note	DKK'000	2017	2016
	Profit for the year	40,381	38,493
15	Adjustments	12,840	8,450
	Cash generated from operations (operating activities)	53,221	46,943
16	Changes in working capital	-6,508	1,128
	Cash generated from operations (operating activities)	46,713	48,071
	Interest received, etc.	591	487
	Interest paid, etc.	-760	-431
	Cash flows from operating activities	46,544	48,127
	Additions of intangible assets	-6,216	-4,891
	Additions of property, plant and equipment	-7,386	-28,073
	Disposals of property, plant and equipment	0	225
	Income from investments in associated enterprises	46	-329
	Dividend received from associates	0	339
	Cash flows to investing activities	-13,556	-32,729
	Dividends paid	-17,729	-32,620
	Proceeds of debt, finance leases	0	11,417
	Repayments, finance leases	-1,724	-380
	Cash flows from financing activities	-19,453	-21,583
	Net cash flow	13,535	-6,185
	Cash and cash equivalents at 1 January	32,310	38,495
17	**Cash and cash equivalents at 31 December**	45,845	32,310

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Aarstiderne A/S for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

The accounting policies used in the preparation of the financial statements 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.

Leases

On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to the ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the present value of the future lease payments. In calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently accounted for in the same way as the Company's other assets.

The capitalised residual lease liability 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.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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 have 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 fixed 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 include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under 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.

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:

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Income from investments in associates

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in associates are presented as separate line items in the income statement. Only proportionate elimination of intra-group gains/losses is made for equity investments in associates.

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 total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

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.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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 sale of intangible assets are recognised in the income statement under "Other operating income" or "Other operating expenses", respectively. Gains and losses are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

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

Investments in associates

Equity investments in subsidiaries and associates are measured according to the equity method.

On initial recognition, equity investments in associates are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deduced from the carrying amount.

Equity investments in associates measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

Impairment of fixed 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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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 re. 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 ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios.

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

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Notes to the financial statements

	DKK'000	2017	2016
2	**Staff costs**		
	Wages/salaries	102,077	86,274
	Pensions	8,421	6,905
	Other social security costs	1,231	1,128
		111,729	94,307

	2017	2016
Average number of full-time employees	224	189

Remuneration to members of management:

DKK'000	2017	2016
Executive board	5,940	3,848
Board of Directors	500	500
	6,440	4,348

3	**Tax for the year**		
	Estimated tax charge for the year	10,270	10,791
	Deferred tax adjustments in the year	1,165	-130
	Tax adjustments, prior years	102	0
		11,537	10,661

The estimated tax charge for the year includes tax refunds paid, totalling DKK 10,270 thousand, between jointly taxed entities.

In addition, tax on equity total DKK 0 thousand (2016: a negative DKK 28 thousand).

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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 2017	14,616	12,193	3,818	2,891	33,518
Additions in the year	5,629	587	0	0	6,216
Disposals in the year	-81	0	0	0	-81
Transfer from other accounts	2,891	0	0	-2,891	0
Cost at 31 December 2017	23,055	12,780	3,818	0	39,653
Impairment losses and amortisation at 1 January 2017	11,004	5,846	1,951	0	18,801
Amortisation/depreciation in the year	2,723	760	202	0	3,685
Reversal of depreciation and impairment of disposals	-81	0	0	0	-81
Impairment losses and amortisation at 31 December 2017	13,646	6,606	2,153	0	22,405
Carrying amount at 31 December 2017	9,409	6,174	1,665	0	17,248
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 2017	61,558	0	61,558
Additions in the year	5,261	2,125	7,386
Disposals in the year	-606	0	-606
Cost at 31 December 2017	66,213	2,125	68,338
Impairment losses and depreciation at 1 January 2017	27,260	0	27,260
Amortisation/depreciation in the year	7,822	0	7,822
Reversal of amortisation/depreciation and impairment of disposals	-606	0	-606
Impairment losses and depreciation at 31 December 2017	34,476	0	34,476
Carrying amount at 31 December 2017	31,737	2,125	33,862
Property, plant and equipment include finance leases with a carrying amount totalling	9,073	0	9,073
Depreciated over	3-10 years		

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Notes to the financial statements

6 Investments

DKK'000	Investments in associates, net asset value
Cost at 1 January 2017	13
Disposals in the year	-13
Cost at 31 December 2017	0
Value adjustments at 1 January 2017	33
Reversal of impairment losses on assets disposed	-33
Value adjustments at 31 December 2017	0
Carrying amount at 31 December 2017	0

7 Prepayments

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

DKK'000	2017	2016
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 Non-current liabilities other than provisions

DKK'000	Total debt at 31/12 2017	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Lease liabilities	9,313	2,146	7,167	0
	9,313	2,146	7,167	0

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DKK'000	2017	2016
10 Deferred tax		
Deferred tax at 1 January	2,149	2,279
Deferred tax adjustment in the year, profit and loss	1,165	-130
Deferred tax at 31 December	3,314	2,149
Deferred tax relates to:		
Intangible assets	3,491	2,361
Property, plant and equipment	-724	-584
Receivables	69	58
Inventories	531	433
Liabilities	-53	-119
	3,314	2,149

11 Contractual obligations and contingencies, etc.

Other contingent liabilities

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	2017	2016
Rent and lease liabilities	53,288	57,784

The Company has entered into eight leases for office space, warehouse, terminals and warehousing with a rent commitment for 2018-2025 of DKK 48,920 thousand (2016: DKK 52,921 thousand).

Operating lease commitments total DKK 4,368 thousand (2016: DKK 4,863 thousand).

12 Collateral

As security for the Company's debt to other credit institutions, the Company has placed assets or other items 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 88,053 thousand. Breakdown of the security and the carrying amount:

Amounts owed to Sydbank are secured by a letter of indemnity, DKK 17,000 thousand (2016: DKK 17,000 thousand), secured trade receivables, stocks, operating equipment, goodwill and intellectual property rights.

The Company has issued letters of indemnity totaling DKK 8,000 thousand (2016: DKK 8,000 thousand) secured on fixtures and fittings, tools and equipment.

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Notes to the financial statements

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	At the Danish Business Authority

Related party transactions

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

All transactions have been carried out on an arm's length basis.

	DKK'000	2017	2016
14	**Appropriation of profit**		
	Recommended appropriation of profit		
	Extraordinary dividend distributed in the year	17,729	32,620
	Reserve for development costs	-1,289	-164
	Retained earnings	23,941	6,037
		40,381	38,493
15	**Adjustments**		
	Amortisation/depreciation and impairment losses	11,506	8,823
	Gain/loss on the sale of non-current assets	0	-187
	Financial income	-591	-487
	Financial expenses	760	431
	Deferred tax	1,165	-130
		12,840	8,450
16	**Changes in working capital**		
	Change in inventories	-5,006	-4,645
	Change in receivables	-7,006	-474
	Change in trade and other payables	5,504	6,149
	Other changes in working capital	0	98
		-6,508	1,128
17	**Cash and cash equivalents at year-end**		
	Cash according to the balance sheet	45,845	32,310
		45,845	32,310