



Lallemand Human Nutrition A/S

Toftebakken 9b, 1.
DK-3460 Birkerød

CVR no. 13 34 13 89

Annual report 2018/19

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

15 May 2019

Nicolai Francis Jensen
chairman

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Lallemand Human Nutrition A/S
Annual report 2018/19
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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 Lallemand Human Nutrition A/S for the financial year 1 February 2018 – 31 January 2019.

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

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 January 2019 and of the results of the Company's operations for the financial year 1 February 2018 – 31 January 2019.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

London, 15 May 2019
Executive Board:

Nicolai Francis Jensen

Board of Directors:

William John Nankervis
Chairman

Francine Mondou

Nicolai Francis Jensen

Francois Leblanc

Independent auditor's report

To the shareholders of Lallemand Human Nutrition A/S

Opinion

We have audited the financial statements of Lallemand Human Nutrition A/S for the financial year 1 February 2018 – 31 January 2019 comprising income statement, balance sheet and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 January 2019 and of the results of the Company's operations for the financial year 1 February 2018 – 31 January 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibility for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Independent auditor's report

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Aarhus, 15 May 2019

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Michael Stenskrog
State Authorised
Public Accountant
mne26819

Lallemand Human Nutrition A/S
Annual report 2018/19
CVR no. 13 34 13 89

Management's review

Company details

Lallemand Human Nutrition A/S
Toftebakken 9b, 1.
DK-3460 Birkerød

Telephone: +45 45 95 08 50
Fax: +45 45 83 99 88

CVR no.: 13 34 13 89
Established: 11 August 1989
Registered office: Birkerød
Financial year: 1 February – 31 January

Board of Directors

William John Nankervis, Chairman
Francine Mondou
Nicolai Francis Jensen
Francois Leblanc

Executive Board

Nicolai Francis Jensen

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Bredskifte Allé 13
DK-8210 Aarhus V

Management's review

Operating review

Principal activities

The Company's principal activities are customer center services and sale of raw materials and health products.

Development in activities and financial position

The Company's income statement for 2018/19 shows a profit of DKK 1,453,300 as against DKK 1,202,726 in 2017/18. Equity in the Company's balance sheet at 31 January 2019 stood at DKK 2,250,512 as against DKK 1,797,212 at 31 January 2018.

The development during the financial year is considered satisfactory and in line with budget for 2018/19.

Financial statements 1 February – 31 January

Income statement

| DKK | Note | 2018/19 | 2017/18 |
|---|------|------------------|------------------|
| Gross profit | | 4,150,421 | 4,172,713 |
| Staff costs | 2 | -2,237,340 | -2,631,513 |
| Depreciation, amortisation and impairment | | <u>-30,803</u> | <u>-29,387</u> |
| Operating profit | | 1,882,278 | 1,511,813 |
| Financial income | 3 | 0 | 55,808 |
| Financial expenses | 4 | <u>-18,794</u> | <u>-25,282</u> |
| Profit before tax | | 1,863,484 | 1,542,339 |
| Tax on profit for the year | | <u>-410,184</u> | <u>-339,613</u> |
| Profit for the year | | <u>1,453,300</u> | <u>1,202,726</u> |
| Proposed profit appropriation | | | |
| Retained earnings | | <u>1,453,300</u> | <u>1,202,726</u> |

Financial statements 1 February – 31 January

Balance sheet

| DKK | Note | 31/1 2019 | 31/1 2018 |
|--------------------------------------|------|-----------|-----------|
| ASSETS | | | |
| Fixed assets | | | |
| Property, plant and equipment | | | |
| Tools and equipment | | 0 | 22,040 |
| Leasehold improvements | | 6,258 | 0 |
| | | 6,258 | 22,040 |
| Total fixed assets | | 6,258 | 22,040 |
| Current assets | | | |
| Inventories | | | |
| Raw materials and consumables | | 133,005 | 66,468 |
| Finished goods and goods for resale | | 1,370,753 | 1,057,850 |
| | | 1,503,758 | 1,124,318 |
| Receivables | | | |
| Trade receivables | | 222,884 | 659,247 |
| Receivables from group entities | | 285,236 | 259,891 |
| Other receivables | | 417,853 | 388,397 |
| Deferred tax asset | | 10,949 | 8,061 |
| Prepayments | | 88,725 | 106,343 |
| | | 1,025,647 | 1,421,939 |
| Cash at bank and in hand | | 792,719 | 889,224 |
| Total current assets | | 3,322,124 | 3,435,481 |
| TOTAL ASSETS | | 3,328,382 | 3,457,521 |

Financial statements 1 February – 31 January

Balance sheet

| DKK | Note | 31/1 2019 | 31/1 2018 |
|---|------|-------------------------|-------------------------|
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Contributed capital | | 500,000 | 500,000 |
| Retained earnings | | 1,750,512 | 297,212 |
| Proposed dividends for the financial year | | 0 | 1,000,000 |
| Total equity | | <u>2,250,512</u> | <u>1,797,212</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade payables | | 165,100 | 32,930 |
| Payables to group entities | | 42,749 | 801,378 |
| Corporation tax | | 413,072 | 341,775 |
| Other payables | | 456,949 | 484,226 |
| | | <u>1,077,870</u> | <u>1,660,309</u> |
| Total liabilities | | <u>1,077,870</u> | <u>1,660,309</u> |
| TOTAL EQUITY AND LIABILITIES | | <u><u>3,328,382</u></u> | <u><u>3,457,521</u></u> |
| Contractual obligations, contingencies, etc. | 5 | | |
| Related party disclosures | 6 | | |

Financial statements 1 February – 31 January

Notes

1 Accounting policies

The annual report of Lallemand Human Nutrition A/S for 2018/19 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act.

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

Foreign currency translation

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

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates 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 latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Revenue from the sale of raw materials and health products as well as commission income is recognised as revenue in the income statement, provided that transfer of risk to the buyer has taken place before year end.

Revenue is measured ex. VAT, and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Cost of sales

Cost of sales comprises costs incurred to generate revenue for the year. This item also comprises direct costs for goods for resale and changes to inventory of goods for resale.

Other operating income

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

Other external costs

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

Staff costs

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

Financial statements 1 February – 31 January

Notes

1 Accounting policies (continued)

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities.

Tax on profit/loss for the year

The Company is subject to the Danish rules on compulsory joint taxation with all Danish entities in the Lallemand Group. The parent company Lallemand Denmark A/S is the administrative company under the joint taxation and accordingly pays all corporation taxes to the authorities.

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have used the losses to reduce their own taxable profit.

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

Balance sheet

Property, plant and equipment

Tools and equipment and leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

The depreciation base is cost less expected residual value after ended use.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use.

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

| | |
|------------------------|-----------|
| Tools and equipment | 3-5 years |
| Leasehold improvements | 5 years |

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

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

Financial statements 1 February – 31 January

Notes

1 Accounting policies (continued)

Impairment of fixed assets

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

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

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

Inventories

Inventories are measured at cost in accordance with the average cost price method, comprising purchase price plus delivery cost. 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 make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.

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

Prepayments and deferred income

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Equity

Dividends

The expected dividends payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

In accordance with the joint taxation rules, the liability of the Company for payment of corporation taxes to the tax authorities is settled as the joint taxation contributions are paid to the administrative company.

Financial statements 1 February – 31 January

Notes

1 Accounting policies (continued)

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

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

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

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

Liabilities

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost.

Other liabilities are measured at net realisable value.

| DKK | <u>2018/19</u> | <u>2017/18</u> |
|---------------------------------------|------------------|------------------|
| 2 Staff costs | | |
| Wages and salaries | 1,903,202 | 2,254,078 |
| Pensions | 179,871 | 237,035 |
| Other social security costs | 33,111 | 30,768 |
| Other staff costs | <u>121,156</u> | <u>109,632</u> |
| | <u>2,237,340</u> | <u>2,631,513</u> |
| Average number of full-time employees | <u>5</u> | <u>6</u> |
| 3 Financial income | | |
| Interest income from group entities | <u>0</u> | <u>55,808</u> |
| | <u>0</u> | <u>55,808</u> |

Financial statements 1 February – 31 January

Notes

4 Financial expenses

| DKK | 2018/19 | 2017/18 |
|------------------------------------|---------------|---------------|
| Interest expense to group entities | 12,053 | 20,262 |
| Other financial costs | 3,658 | 2,396 |
| Exchange losses | 3,083 | 2,624 |
| | <u>18,794</u> | <u>25,282</u> |

5 Contractual obligations, contingencies, etc.

Contingent liabilities

The Company is jointly taxed with all Danish entities in the Lallemand Group. The Company has unlimited joint and several liability for Danish corporation taxes and withholding taxes on dividends and interest under the joint taxation scheme. The jointly taxed companies' total net liability to the Danish tax authorities is recognised in the consolidated financial statements of Lallemand Denmark A/S. Any subsequent corrections of the taxable jointly taxed income or withholding taxes, etc., may entail an increase in the Company's liability.

Operating lease obligations

The Company has entered into lease agreements regarding premises and operating equipment for a period of up to 14 months with a residual obligation of DKK 212,361. (2017/18: DKK 700,432) of which DKK 203,460 is due for payment within 1 year (2017/18: DKK 473,479).

6 Related party disclosures

Lallemand Human Nutrition A/S' related parties comprise the following:

Control

Lallemand Human Nutrition A/S is included in the consolidated financial statements of Lallemand Denmark A/S, which is the smallest group in which the Company is included as a subsidiary.

The consolidated financial statements of Lallemand Denmark A/S can be obtained by contacting the Company or from the website of the Danish Business Authority.