

Lallemand Human Nutrition A/S
Toftebakken 9b
3460 Birkerød

Annual report 2016/17

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

10 May 2017



chairman

CVR no. 13 34 13 89

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Statements

Statement by the Board of Directors and 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 2016 - 31 January 2017.

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

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 31 January 2017 and of the result of the Company's operations for the financial year 1 February 2016 - 31 January 2017.

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

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

Birkerød, 10 May 2017

Executive Board:



Nicolai Francis Jensen

Board of Directors



William John Nankervis
Chairman



Francine Mondou



Nicolai Francis Jensen



Francois Leblanc



Independent auditors' 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 2016 – 31 January 2017, 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 2017 and of the results of the Company's operations for the financial year 1 February 2016 – 31 January 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 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.



Independent auditors' report

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 financial statement 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
- 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



Independent auditors' report

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, 10 May 2017

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98


Michael Stenskjog
State Authorised
Public Accountant


Jakob Westerdahl
State Authorised
Public Accountant

Management's review

Company details

Lallemand Human Nutrition A/S
Toftebakken 9B
DK-3460 Birkerød

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

Registration No: 13 34 13 89
Established: 11 August 1989
Registered office: Birkerød
Financial year: 1 February - 31 January

Board of Directors

William John Nankervis
Francine Mondou
Nicolai Francis Jensen
Francois Leblanc

Executive Board

Nicolai Francis Jensen

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Bredskifte Allé 13
DK-8210 Aarhus V

Management's review

Operating review

Ownership and activities

The company is a wholly-owned subsidiary of Lallemand Denmark A/S.

The primary activity of the company is sale of raw materials and health products.

The financial year

The company's income statement shows a profit of DKK 1,324,850 and the balance sheet at 31 January 2017 shows a total equity of DKK 5,594,489.

The development during the financial year is considered to be satisfactory and according to budget 2016-17.

Outlook

Total activities are expected to continue at the same level in 2017/18.

Financial statements 1 February 2016 - 31 January 2017

Income statement

	Note	<u>2016/17</u>	<u>2015/16</u>
Gross profit		5.896.896	5.741.720
Staff costs	2	-4.200.037	-4.491.553
Depreciation on equipment		<u>-31.925</u>	<u>-10.391</u>
Operating profit		1.664.934	1.239.776
Other financial income	3	65.715	45.638
Other financial expenses		<u>-29.677</u>	<u>-10.875</u>
Profit before tax		1.700.972	1.274.539
Tax on profit for the year		<u>-376.122</u>	<u>-316.133</u>
Profit for the year		<u><u>1.324.850</u></u>	<u><u>958.406</u></u>
Proposed profit appropriation			
Proposed dividend		4.000.000	0
Retained earnings		<u>-2.675.150</u>	<u>958.406</u>
		<u><u>1.324.850</u></u>	<u><u>958.406</u></u>

Financial statements 1 February 2016 - 31 January 2017

Balance sheet

	Note	2016/17	2015/16
Assets			
Fixed assets			
Equipment			
Tools and equipment		51.427	80.814
Leasehold improvements		0	2.538
		<u>51.427</u>	<u>83.352</u>
Total fixed assets		<u>51.427</u>	<u>83.352</u>
Current assets			
Inventories			
Raw materials and consumables		39.622	116.124
Finished goods		586.392	1.562.174
		<u>626.014</u>	<u>1.678.298</u>
Receivables			
Trade receivables		406.716	767.562
Receivables from group entities		5.305.458	1.512.676
Deferred tax asset		5.899	4.613
Other receivables		358.951	443.313
Prepayments		150.020	161.782
		<u>6.227.044</u>	<u>2.889.946</u>
Cash at bank and in hand		<u>637.213</u>	<u>2.122.182</u>
Total current assets		<u>7.490.271</u>	<u>6.690.426</u>
Total assets		<u><u>7.541.698</u></u>	<u><u>6.773.778</u></u>

Financial statements 1 February 2016 - 31 January 2017

Balance sheet

	Note	<u>2016/17</u>	<u>2015/16</u>
Equity and liabilities			
Equity			
Share capital		500.000	500.000
Retained earnings		1.094.489	3.769.639
Proposed dividend for the financial year		<u>4.000.000</u>	<u>0</u>
Total equity		<u>5.594.489</u>	<u>4.269.639</u>
Liabilities			
Current liabilities other than provisions			
Trade payables		108.982	1.051.477
Payables to group entities		354.069	95.740
Corporation tax		377.008	294.372
Other payables		1.107.150	1.062.550
Total liabilities other than provisions		<u>1.947.209</u>	<u>2.504.139</u>
Total equity and liabilities		<u>7.541.698</u>	<u>6.773.778</u>
Contractual obligations, contingencies, etc	4		
Related parties	5		

Financial statements 1 February 2016 - 31 January 2017

Notes

1. Accounting policies

The annual report of Lallemand Human Nutrition A/S for 2016/17 has been prepared in accordance with the provisions applying to class B enterprises under the Danish Financial Statements Act.

As from 1 February 2016, the Company has implemented Act no. 738 of June 2015.

This has entailed the following changes to recognition and measurement:

- Going forward, the residual value of intangible assets and property, plant and equipment must be reassessed on an ongoing basis. Pursuant to the transition provisions of the Act, any adjustments to residual values must be made prospectively as an accounting estimate without restatement of comparative figures and without effect on equity.

The changes have no monetary effect on the income statement or the balance sheet for 2016/17 or for the comparative figures.

Apart from the above, 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 at 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 at 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 interest or financial expenses.

Financial statements 1 February 2016 - 31 January 2017

Notes

1. Accounting policies (Continued)

Income statement

Gross profit

Pursuant to Section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

Revenue

Revenue from the sale of raw materials and health products as well as commission income is recognised 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 goods sold

Cost of goods sold comprises goods for resale and other direct costs incurred in generating the revenue for the year.

Other external costs

Other external costs comprise expenses incurred during the year for distribution, sales campaigns, administration, office premises, losses on debtors, operating leases etc.

Staff costs

Staff costs includes salary and wages, including holiday allowance, pensions and other costs to social security to the company's employees. Refunds of salaries from the government are deducted from staff costs.

Financial statements 1 February 2016 - 31 January 2017

Notes

1. Accounting policies (Continued)

Interest income and expense and similar items

Interest income and expense and similar items comprise interest income and expense, realised and unrealised, gains and losses on 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 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 tax authorities.

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

Tax for the year comprises joint taxation contributions and changes in deferred tax for the year, including changes as a result of a change in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to changes in equity is recognised directly in equity.

Balance sheet

Equipment

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

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 when the asset is available for use.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected 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 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 costs, respectively

Financial statements 1 February 2016 - 31 January 2017

Notes

1. Accounting policies (Continued)

Impairment of tools and equipment

The carrying amount of tools and equipment is subject to an annual impairment test.

When there is an indication that assets may be impaired, the recoverable amount of the asset is determined. Impairment is made to the lower of the recoverable amount and the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its capital value. The capital value is determined as the present value of the expected net income from the use of the asset or the asset group.

Inventories

Inventories are measured at cost in accordance with the average cost price method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Inventories are measured at cost, comprising purchase price plus delivery costs.

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 sales price.

Receivables

Receivables are measured at amortised cost. Write-down is made for bad debt losses based on an individual assessment of receivables.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are easily convertible into cash and which are subject to only an insignificant risk of change in value.

Financial statements 1 February 2016 - 31 January 2017

Notes

1. Accounting policies (Continued)

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.

Payable and receivable joint taxation contributions are recognised in the balance sheet under balances with group enterprises.

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 base of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry forwards, 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 and jurisdiction.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the income statement.

Liabilities other than provisions

Financial liabilities, comprising trade payables and amounts owed to group enterprises and other payables are recognised at the date of borrowing at the net 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.

Financial statements 1 February 2016 - 31 January 2017

Notes

	<u>2016/17</u>	<u>2015/16</u>
2 Staff costs		
Wages and salaries	3.633.007	3.888.412
Pension	348.423	372.620
Other costs to social security	218.607	230.521
	<u>4.200.037</u>	<u>4.491.553</u>
Average number of full-time employees	<u>8</u>	<u>8</u>
3 Other financial income		
Other financial income	0	3
Interest income from group entities	65.715	38.808
Currency exchange gain	0	6.827
	<u>65.715</u>	<u>45.638</u>

Financial statements 1 February 2016 - 31 January 2017

Notes

4 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 recognized 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.

Lease liabilities

The company has entered into lease agreements regarding premises and operating equipment for a period of up to five years with a residual obligation of DKK 1,227,866.
(2015-16: 1,852,211)

5 Related parties

Lallemand Human Nutrition A/S is part of 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 on the website of the Danish business authorities.

Lallemand Human Nutrition A/S is part of the consolidated financial statements of Lallemand inc, Canada, which is the largest group in which the Company is included as a subsidiary.

The consolidated financial statements of Lallemand Inc. can be obtained by contacting the Company.