

System Frugt A/S
Blomstervej 8
8381 Tilst
Central Business Registration
No 13473498

Annual report
01.10.2016 -
30.09.2017

The Annual General Meeting adopted the annual report on 01.03.2018

Chairman of the General Meeting

Name: Flemming Ib Windfeld

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Entity details

Entity

System Frugt A/S
Blomstervej 8
8381 Tilst

Central Business Registration No (CVR): 13473498
Founded: 18.12.1989
Registered in: Aarhus
Financial year: 01.10.2016 - 30.09.2017

Phone: 87459595
Fax: 87459596

Board of Directors

Tim Ørting Jørgensen, chairman
Jacob Østergaard Bergenholtz
Esben Bay Jørgensen
Jørgen Peter Danielsen

Executive Board

Peter Ole Bruun, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of System Frugt A/S for the financial year 01.10.2016 - 30.09.2017.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.09.2017 and of the results of its operations and cash flows for the financial year 01.10.2016 - 30.09.2017.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Aarhus, 01.03.2018

Executive Board

Peter Ole Bruun
CEO

Board of Directors

Tim Ørting Jørgensen
chairman

Jacob Østergaard Bergenholtz

Esben Bay Jørgensen

Jørgen Peter Danielsen

Independent auditor's report

To the shareholders of System Frugt A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of System Frugt A/S for the financial year 01.10.2016 - 30.09.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30.09.2017, and of the results of their operations and the consolidated cash flows for the financial year 01.10.2016 - 30.09.2017 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of 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 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 consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

Independent auditor's report

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 these consolidated financial statements and parent 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 consolidated financial statements and the parent 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 Group's and the Entity'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 consolidated financial statements and the parent 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 Group's and the Entity'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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent 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 commentary.

Aarhus, 01.03.2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Jacob Nørmark
State Authorised Public Accountant
Identification No (MNE) mne30176

Management commentary

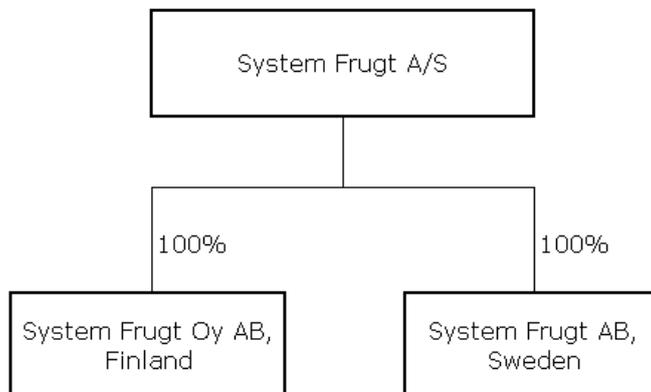
	2016/17 DKK'000	2015/16 DKK'000
Financial highlights		
Key figures		
Revenue	511.249	638.840
Gross profit/loss	81.979	91.509
Operating profit/loss	10.772	(7.358)
Net financials	(2.774)	(2.365)
Profit/loss for the year	698	(7.992)
Total assets	177.418	183.197
Investments in property, plant and equipment	5.614	16.446
Equity	22.857	35.784
Cash flows from (used in) operating activities	6.754	69.791
Cash flows from (used in) investing activities	(4.999)	(16.758)
Cash flows from (used in) financing activities	(6.764)	(20.001)
Average numbers of employees	204	232
Ratios		
Gross margin (%)	16,0	14,3
Net margin (%)	0,1	(1,3)
Return on equity (%)	2,4	(22,3)
Equity ratio (%)	12,9	19,5
Revenue per employee	2.506,1	2.753,6

Group Management has chosen to present consolidated financial statements this year. In accordance with §128(4) of the Danish Financial Statements Act, key figures are only available for the financial years 2016/17 and 2015/16.

During the financial year 2016/17, the Group has sold Crispo Denmark ApS, which has led to the termination of activity. Crispo Denmark ApS is therefore included in the consolidated and parent financial statements as a discontinued activity. No comparison has been made with comparative figures, so the figures for the year are not directly comparable with previous year.

Management commentary

Group structure



*Crispo Denmark ApS and System Multifood Ltd. are sold in the year.

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2016" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Calculation formula reflects
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.
Revenue per employee	$\frac{\text{Revenue}}{\text{Average number of employees}}$	The entity's productivity

Management commentary

Primary activities

System Frugt A/S is a wholly-owned subsidiary in the System Frugt Group. The primary activities comprise:

- Develop, source, pack and supply the Nordic and Dutch market with naturally healthy consumer products based on dried fruits, nuts, seeds, pulses, natural snacks and fresh specialties.
- Our products are marketed under the brand "Earth Control" and our customers own labels.

The consolidated financial statements of System Frugt A/S consist of the following companies (the Group):

- System Frugt A/S, Denmark
- Crispo Denmark ApS, Denmark (divested end of September 2017)
- System Multifood Ltd, Turkey (divested end of March 2017)
- System Frugt AB, Sweden
- System Frugt Oy AB, Finland

Development in activities and finances

The year has been a year of focussing the business at the core value creating activities. The core activities are defined as building the brand Earth Control towards the Nordic consumers and strengthening the partnerships with major Nordic and Dutch retailers as the first choice in natural dried products. The consequence has been a significant reduction of the Fresh Fruit packing activity that adds little value. A joint venture with our Turkish partner including a hand over of our Turkish factory creates a clearer focus, a faster route to market and reduced fixed costs. A finally In order to further strengthen the focus on the green segment and healthy snacking it was decided to divest the crisps factory Crispo. The financial year is therefore characterised by decline in turnover compared to last year. Total revenue ended at DKK 511.249k (2015/16: DKK 638.840k), which is 20% down on last year. The decrease can be attributed to fresh fruit and vegetables and crisps whereas dried products experienced growth.

Gross margin is realized at 16% which is 1,7% above last year. The significant increase reflects the refocusing of the business activities as well as efforts made in the procurement and sales departments. Fixed costs of administration and distribution is reduced by DKK 5.301k and the average number of employees was brought down by 28 to 204. This reflect the restructurings made to prepare the Group to the future.

The combination of lower sales, restructurings and divestiture of assets are the mains reasons for realization of an operating profit of DKK 10.772k (2015/16: DKK -7.358k). The trademark "Earth Control" has been sold to System Frugt Holding A/S in order to have the ownership on highest organizational level generating a one-time revenue.

The tax on profit of DKK 8,640k include a significant tax on accumulated earnings from the Turkish company System Multi Fruit. Profit after tax for the year amounts to DKK -642k (2015/16 DKK -7.992k). Profit from discontinued operations amounts to DKK 1.340k (2015/16: DKK 0k), which brings us to a total profit for the year at DKK 698k (2015/16: DKK -7.992k).

In the financial year, dividend was distributed to System Frugt Holding A/S amounting to DKK 15.000k (2015/16: DKK 15.000k). The dividend was used to pay instalment on acquisition debt. The capital of the company was increased by DKK 10.000k by the shareholders.

Management commentary

The financial performance for the year is considered very unsatisfying.

Investments

In the financial year, investments amounted to DKK 5.614 (2015/16: DKK 16.446k). The main investment is in a new production line, where production will start in the beginning of the new financial year. Other investments have primarily been made in production equipment, IT infrastructure and software.

As part of the restructuring to focus the activities and to get a more stringent ownership structure of assets, System Frugt A/S has sold the trademark rights of Earth Control to System Frugt Holding A/S.

Financial resources

The equity ratio is 12.9% (2015/16: 19.5%), equivalent to equity at 30 September 2017 of DKK 22,857k (2016: DKK 35,784k).

Outlook

Revenue is expected to decline further in the forthcoming financial year due to the annualized effect of discontinued activities, whereas gross margins are expected to increase slightly. Fixed costs are expected to be at a significant lower level. As a whole the financial performance is expected to show an improvement. For the coming financial year a net result in the level of breakeven is expected. This is an improvement compared to current year result adjusted for one-time impact of sale of trademark.

Particular risks

Price risks:

The Group's most significant operating risk relates to the development in raw material prices and the possibility of passing on increases to sales prices. The Company has well-developed policies and procedures to reduce these price risks.

Exchange rate risks:

A considerable part of the Company's purchase is made in USD, which results in a risk of exchange rate fluctuations and a derived impact on financial performance, equity and cash flows. It is the Company's policy to hedge these commercial foreign exchange risks mainly by using forward exchange contracts or options.

Intellectual capital resources

System Frugt A/S is BRC-certified and has implemented a well-functioning quality control system, which is developed on a regular basis. Moreover, the Company has built considerable knowledge about the individual products and their sourcing.

Environmental performance

The Company does not run any business resulting in dangerous or special impacts on the external environment. It is environmentally conscious and seeks to reduce the environmental impacts from operations.

Research and development activities

System Frugt A/S constantly invests in development and marketing of new products and to optimize methods and processes.

Management commentary

Statutory report on corporate social responsibility

In our daily operations, we focus on acting responsibly towards our surrounding society and the environment. This section contains our disclosure on Corporate Social Responsibility according to §99a and §99b of the Danish Financial Statements Act during the financial year 2016/17.

Corporate social responsibility:

We are a member of the **UN Global Compact** that sets a structured, high standard for worldwide CSR.

To promote the UN Global Compact, we have joined the **BSCI Code of Conduct** – a practical set of principles and values referring to the UN Global Compact conventions to improve working conditions in the supply chain. By joining BSCI, we have committed ourselves to promote the **11 principles of the Code of Conduct** in our supply chain.

1.The Rights of Freedom of Association and Collective Bargaining.

2. No Discrimination

3.Fair Remuneration

4. Decent Working Hours

5.Occupational Health and Safety

6.No Child Labor

7.Special Protection for Young Workers

8.No Precarious Employment

9.No Bonded Labor

10.Protection of the Environment

11.Ethical Business

We constantly guide and encourage our suppliers to improve themselves in order to become more responsible. For instance, we always ask suppliers to sign the BSCI Code of Conduct when we enter into a partnership with them. We dedicate resources in our Quality and Sourcing departments to visit our suppliers on a scheduled regular basis in order to monitor and test the quality of our products

In our opinion the strengthened efforts in this field in 2017 has contributed to a still higher level of social responsibility amongst our suppliers.

Management commentary

People

We employ people directly and indirectly in every link of our supply chain all over the world. Naturally, it can be challenging to ensure that employees have the same working conditions all over the world, but we encourage and guide our suppliers to look after their employees in accordance with the Global Compact and BSCI principles.

By sourcing our products locally at small farms, we bring an economic incentive to the local farming enterprises in many developing countries. A local farmer growing their business allows for economic and technical development, while improving living and working conditions for employees and suppliers as well.

At System Frugt in Denmark, we are proud of our highly dedicated employees, who come from a large variety of different backgrounds. We constantly work to improve the work environment in all of our departments. Among other things, we receive staff feedback *every day* to ensure a positive environment with focus on safety and well-being. We also have a dedicated internal "Safety Team" working proactively to prevent work accidents. In addition, we have a long-term partnership with the social enterprise [Borup Pakkeri](#) for special packaging tasks, and we take responsibility in integrating refugees into Danish society by offering language training courses, internships and education.

In 2017 this initiative resulted in the company receiving a diploma for being the best regional company in the Aarhus region at integrating foreign language employees.

Environment and climate

Nature is our most important supplier, and we should leave it in a better state than we found it. We are continuously taking steps to reduce our ecological footprint. Among other things, we work with environmentally friendly initiatives such as changing to energy-saving lighting and compressors, only using RSPO-certified palm oil, reducing transport of products as well as reducing packaging material.

We also encourage consumers to ENJOY NATURALLY by promoting a greener lifestyle with natural foods such as nuts, dried fruits and greens as their main source of nutrition. Green and vegetable-based food is more environmentally friendly as it creates far less CO2 emissions than other food sources such as meat or processed foods.

One of our initiatives within this area is a business sponsorship agreement with the World Wildlife Fund, WWF. The reason for this initiative is that our products are primarily sourced from raw materials found in nature across the world – raw materials that need nature's scarce resources to be maintained. Hereby, we too want to contribute to WWF's nature conservation programs to help ensure long-term sustainability. During the fiscal year of 2016/17, an amount of DKK 1.000.000 has been donated and sponsored to WWF from our Earth Control® product campaigns, which were launched during the summer in Finland and Denmark. System Frugt as a group is working to develop a Nordic cooperation with WWF on product campaigns.

Management commentary

From 1 January 2015, we ceased using palm oil direct in our products, converting to the use of the less environmentally harmful sunflower oil. Other products continuing to rely on palm oil have switched to 100% RSPO-certified palm oil.

New and improved policy on the environment and climate area has been implemented during 2017.

Ethical Business

Sourcing globally entails dealing with ethical business issues. It is challenging to ensure that all our conditions relating to labor rights, human rights, environment and anti-corruption are met by our suppliers, but we are definitely on the right track thanks to our work with the BSCI Code of Conduct. To System Frugt ensuring sustainability also means working systematically with the environment.

If you want to know more about our sustainability efforts, please refer to:

<http://systemfrugt.dk/wp-content/uploads/2014/08/We-Care-Share.pdf>

Statutory report on the underrepresented gender

In accordance with §99b, System Frugt A/S has drawn up a policy for gender diversity in the management bodies of the Company with the aim to ensure more female representatives on both the Board of Directors and at other management levels of the organization.

No seats on the Board of Directors is currently held by a woman, which equals a share of 0%. (2016/17 16,6%) It is the Company's objective to have at least 2 female members before 2018. We are on a continuous basis working towards this objective, but there have not been hired any new members to the board of directors in this financial year.

The top management of the Company consists of five members, all male. The Extended Management Group consist of 24 members including the top management. Currently, there are 10 female members of the Extended Management Group. The Company has implemented a policy for ensuring more women in management positions at System Frugt A/S, and progress is expected from future selections of vacant positions to top management. In the financial year 2016/17, there have not been any changes in the gender composition of the top management, so the initiated activities for diversity in the top management have not yet been successful. The process of recruiting female members in top management positions has already been initiated through internal as well as external recruitment, where relevant candidates of each gender should be considered for management positions.

Events after the balance sheet date

After the balance sheet date, the owners of System Frugt Holding A/S have made a decision on a capital increase in System Frugt Holding A/S through a conversion of subordinate loans and also decided to merge the companies System Frugt A/S and System Frugt Holding A/S with System Frugt A/S as the surviving company.

Management commentary

Over the past few years, the System Frugt Group has gone through a transformation, which has built a focused business where the range of products and brand have undergone a modernisation and development. This has resulted in a number of changes in group structure and in the organisation, which has now been adjusted to the new strategic platform.

The conversion and the merger have been completed after the presentation of financial statements and are thus not reflected in the financial statements. Had the conversion and the merger been completed at 30 September 2017, this would have resulted in a solvency ratio of 37.9% in System Frugt A/S.

The balance sheet of the merged company is estimated as below at 28 February 2018:

	28 February 2018
Fixed assets	152,200
Inventories	75,000
Receivables	17,000
Cash	500
TOTAL ASSETS	244,700
Equity	103,500
Provisions	1,050
Current liabilities	140,150
TOTAL EQUITY AND LIABILITIES	244,700
Solvency	42.3%

Consolidated income statement for 2016/17

	<u>Notes</u>	<u>2016/17 DKK'000</u>	<u>2015/16 DKK'000</u>
Revenue	1	511.249	638.840
Production costs	3, 4	(429.270)	(547.331)
Gross profit/loss		81.979	91.509
Distribution costs	3, 4	(71.040)	(75.477)
Administrative expenses	2, 3, 4	(22.526)	(23.390)
Other operating income	5	22.359	0
Operating profit/loss		10.772	(7.358)
Other financial income		4	6
Other financial expenses		(2.778)	(2.371)
Profit/loss before tax		7.998	(9.723)
Tax on profit/loss for the year	6	(8.640)	1.731
Profit/loss from continuing operations		(642)	(7.992)
Profit/loss from discontinued operations	7	1.340	0
Profit/loss for the year	8	698	(7.992)

Consolidated balance sheet at 30.09.2017

	<u>Notes</u>	<u>2016/17 DKK'000</u>	<u>2015/16 DKK'000</u>
Acquired trademarks		0	1.267
Goodwill		621	994
Intangible assets	9	621	2.261
Plant and machinery		14.712	23.085
Other fixtures and fittings, tools and equipment		7.141	8.810
Leasehold improvements		3.551	4.657
Property, plant and equipment	10	25.404	36.552
Other investments		488	0
Fixed asset investments	11	488	0
Fixed assets		26.513	38.813
Manufactured goods and goods for resale		87.125	92.293
Prepayments for goods		183	3.576
Inventories		87.308	95.869
Trade receivables		18.482	35.059
Receivables from group enterprises		27.889	0
Deferred tax	13	0	1.524
Other receivables		16.017	6.800
Prepayments	12	758	826
Receivables		63.146	44.209
Cash		451	4.306
Current assets		150.905	144.384
Assets		177.418	183.197

Consolidated balance sheet at 30.09.2017

	<u>Notes</u>	<u>2016/17 DKK'000</u>	<u>2015/16 DKK'000</u>
Contributed capital		501	500
Retained earnings		22.356	35.284
Equity		22.857	35.784
Deferred tax	13	1.050	0
Provisions		1.050	0
Finance lease liabilities		331	730
Payables to group enterprises		2.075	177
Non-current liabilities other than provisions	14	2.406	907
Current portion of long-term liabilities other than provisions	14	274	269
Bank loans		41.290	40.136
Trade payables		79.609	78.015
Payables to group enterprises		2.103	0
Income tax payable		122	281
Joint taxation contribution payable		183	0
Other payables		27.524	27.805
Current liabilities other than provisions		151.105	146.506
Liabilities other than provisions		153.511	147.413
Equity and liabilities		177.418	183.197
Financial instruments	15		
Unrecognised rental and lease commitments	16		
Contingent liabilities	17		
Assets charged and collateral	18		
Transactions with related parties	19		
Group relations	20		

Consolidated statement of changes in equity for 2016/17

	Contributed capital DKK'000	Share premium DKK'000	Retained earnings DKK'000	Proposed extraordinary dividend DKK'000
Equity beginning of year	500	0	35.284	0
Increase of capital	1	9.999	0	0
Transferred from share premium	0	(9.999)	9.999	0
Extraordinary dividend paid	0	0	0	(15.000)
Exchange rate adjustments	0	0	(5.371)	0
Value adjustments	0	0	(4.172)	0
Tax of entries on equity	0	0	918	0
Profit/loss for the year	0	0	(14.302)	15.000
Equity end of year	501	0	22.356	0

	Total DKK'000
Equity beginning of year	35.784
Increase of capital	10.000
Transferred from share premium	0
Extraordinary dividend paid	(15.000)
Exchange rate adjustments	(5.371)
Value adjustments	(4.172)
Tax of entries on equity	918
Profit/loss for the year	698
Equity end of year	22.857

Consolidated cash flow statement for 2016/17

	<u>Notes</u>	<u>2016/17 DKK'000</u>	<u>2015/16 DKK'000</u>
Operating profit/loss		10.772	(7.358)
Amortisation, depreciation and impairment losses		10.469	10.132
Other cash flow from operation activities		(22.359)	0
Profit from discontinued operations		1.340	0
Increase/decrease in inventories		9.861	20.783
Increase/decrease in receivables		7.428	49.702
Increase/decrease in trade payables etc.		(2.859)	840
Cash flow from ordinary operating activities		14.652	74.099
Financial income received		4	6
Financial income paid		(2.778)	(2.371)
Income taxes refunded/(paid)		293	(1.943)
Other cash flows from operating activities		(5.417)	0
Cash flows from operating activities		6.754	69.791
Acquisition etc of intangible assets		(565)	(539)
Sale of intangible assets		28.121	0
Acquisition etc of property, plant and equipment		(5.614)	(16.446)
Sale of property, plant and equipment		7.119	227
Disposal of enterprises		(5.683)	0
Other investments		(488)	0
Loans to group enterprises		(27.889)	0
Cash flows from investing activities		(4.999)	(16.758)
Loans raised		0	493
Repayments of loans etc		(394)	(216)
Incurrence of debt to group enterprises		4.001	0
Repayment of debt to group enterprises		0	(5.278)
Dividend paid		(15.000)	(15.000)
Cash increase of capital		10.000	0
Exchange rate adjustments		(5.371)	0
Cash flows from financing activities		(6.764)	(20.001)
Transport		(5.009)	33.032

Consolidated cash flow statement for 2016/17

	<u>Notes</u>	<u>2016/17 DKK'000</u>	<u>2015/16 DKK'000</u>
Transport		(5.009)	33.032
Increase/decrease in cash and cash equivalents		(5.009)	33.032
Cash and cash equivalents beginning of year		<u>(35.830)</u>	<u>(68.862)</u>
Cash and cash equivalents end of year		<u>(40.839)</u>	<u>(35.830)</u>
Cash and cash equivalents at year-end are composed of:			
Cash		451	4.306
Short-term debt to banks		<u>(41.290)</u>	<u>(40.136)</u>
Cash and cash equivalents end of year		<u>(40.839)</u>	<u>(35.830)</u>

Notes to consolidated financial statements

	2016/17 DKK'000	2015/16 DKK'000
1. Revenue		
Denmark	300.243	401.359
Other Countries	211.006	237.481
	511.249	638.840

The Group's segments comprise business areas and geographical markets.

The Group's primary activities comprise purchase, packing and sale of fresh and dried fruits and vegetables. Referring to §96 of the Danish Financial Statements Act, Management does not want to further disclose revenue per activity as this will be of considerable damage to the competitive situation.

	2016/17 DKK'000	2015/16 DKK'000
2. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	368	328
Other assurance engagements	60	0
Tax services	139	280
Other services	75	151
	642	759

	2016/17 DKK'000	2015/16 DKK'000
3. Staff costs		
Wages and salaries	77.203	83.473
Pension costs	11.068	12.642
Other social security costs	2.757	2.716
Other staff costs	2.183	2.296
	93.211	101.127
Average number of employees	204	232

	Remunera- tion of manage- ment 2016/17 DKK'000	Remunera- tion of manage- ment 2015/16 DKK'000
Total amount for management categories	3.249	3.438
	3.249	3.438

The average number of full-time employees who derive from discontinued activities is 11.

Notes to consolidated financial statements

	2016/17 DKK'000	2015/16 DKK'000
4. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	690	714
Depreciation on property, plant and equipment	8.071	9.418
Profit/loss from sale of intangible assets and property, plant and equipment	(418)	(227)
	8.343	9.905

5. Other operating income

Other operating income comprises profit and loss on sale of trademarks on Earth Control, as well as the sale of System Multifood Ltd.

	2016/17 DKK'000	2015/16 DKK'000
6. Tax on profit/loss for the year		
Current tax	6.518	261
Change in deferred tax	2.122	(1.992)
	8.640	(1.731)

Current tax includes DKK 5,417k relating to withholding tax on the distribution of dividends from the subsidiary System Multifood Ltd.

	2016/17 DKK'000	2015/16 DKK'000
7. Discontinued operations		
Income statement		
Revenue	17.863	0
Production costs	(19.355)	0
Distribution costs	(525)	0
Administrative expenses	(1.285)	0
Net financials	(50)	0
Pre-tax profit/loss from discontinued operations	(3.532)	0
Tax on profit for the period	376	0
Profit/loss from the period	(3.156)	0
Gain on disposal	4.496	0
Profit/loss from discontinued operations	1.340	0

	2016/17 DKK'000	2015/16 DKK'000
8. Proposed distribution of profit/loss		
Extraordinary dividend distributed in the financial year	15.000	15.000
Retained earnings	(14.302)	(22.992)
	698	(7.992)

Notes to consolidated financial statements

	Acquired trademarks DKK'000	Goodwill DKK'000	
9. Intangible assets			
Cost beginning of year	2.210	13.550	
Disposals on divestments etc	(665)	0	
Exchange rate adjustments	0	(2)	
Additions	565	0	
Disposals	(2.110)	0	
Cost end of year	0	13.548	
Amortisation and impairment losses beginning of year	(943)	(12.556)	
Exchange rate adjustments	0	1	
Amortisation for the year	(453)	(372)	
Reversal regarding disposals	1.396	0	
Amortisation and impairment losses end of year	0	(12.927)	
Carrying amount end of year	0	621	
	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve- ments DKK'000
10. Property, plant and equipment			
Cost beginning of year	64.296	20.026	8.948
Disposals on divestments etc	(19.103)	(3.363)	(234)
Additions	2.222	2.818	574
Disposals	(650)	(1.168)	0
Cost end of year	46.765	18.313	9.288
Depreciation and impairment losses beginning of year	(41.209)	(11.216)	(4.291)
Depreciation for the year	(4.384)	(3.750)	(1.511)
Reversal regarding disposals	13.540	3.794	65
Depreciation and impairment losses end of year	(32.053)	(11.172)	(5.737)
Carrying amount end of year	14.712	7.141	3.551
Recognised assets not owned by entity	-	744	-

Notes to consolidated financial statements

	Other investments DKK'000
11. Fixed asset investments	
Transfers	488
Cost end of year	488
Carrying amount end of year	488

12. Prepayments

Prepayments relate to prepaid costs, including licenses and insurance etc.

	2016/17 DKK'000	2015/16 DKK'000
13. Deferred tax		
Intangible assets	0	222
Property, plant and equipment	1.620	1.014
Inventories	331	341
Tax losses carried forward	(901)	(3.101)
	1.050	(1.524)
Changes during the year		
Beginning of year	(1.524)	
Recognised in the income statement	2.122	
Discontinued operations	376	
Other changes	76	
End of year	1.050	

	Due within 12 months 2016/17 DKK'000	Due within 12 months 2015/16 DKK'000	Due after more than 12 months 2016/17 DKK'000
14. Liabilities other than provisions			
Finance lease liabilities	274	269	331
Payables to group enterprises	0	0	2.075
	274	269	2.406

15. Financial instruments

Disclosure on forward exchange contracts acquired to hedge liabilities

Other payables include a negative fair value of the forward exchange contracts of DKK 3.531k. The forward exchange contracts have been acquired to hedge the foreign currency risk of trade payables in USD and AUD. The exchange loss has been set off against the value adjustments of the hedged payables in the income

Notes to consolidated financial statements

statement. The forward exchange contracts have a term of 0-13 months. The forward exchange contracts have been entered into with the Company's usual bank.

	2016/17 DKK'000	2015/16 DKK'000
16. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	12.501	12.674

Unrecognised rental and lease commitments relate to operating leases totalling DKK 5,705k as well as rental commitments totalling DKK 6,796k.

17. Contingent liabilities

The Group has committed itself to fixed price and quantity contracts towards its suppliers of goods and services on delivery of raw materials in the coming financial years. The contractual residual commitments from the concluded contracts at 30 September 2017 amount to DKK 83,102k.

The Group's bank has issued a guarantee for non-recognised import letters of credit with an open balance at the balance sheet date totalling DKK 758k.

18. Assets charged and collateral

The Group has issued letters of credit and payment guarantees through its bank to suppliers amounting to DKK 298k (2015/16: DKK 664k).

As security for all accounts with Jyske Bank, a floating charge has been granted of nominal DKK 10,000k over System Frugt A/S' unsecured claims arising from the sale of goods and services and inventories. The carrying amount is DKK 99,523k at 30.09.2017.

A negative pledge is registered regarding System Fruit A/S for unsecured claims arising from the sale of goods and services.

19. Transactions with related parties

Only transactions with related parties that are not carried out at market terms are disclosed in the annual report. No such transactions have been performed in the financial year.

20. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group: Anpartsselskabet af 9. september 2010, Fredensborg.

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: Anpartsselskabet af 9. september 2010, Fredensborg.

Parent income statement for 2016/17

	<u>Notes</u>	<u>2016/17 DKK'000</u>	<u>2015/16 DKK'000</u>
Revenue	1	486.595	557.568
Production costs	2, 3	(421.159)	(486.493)
Gross profit/loss		65.436	71.075
Distribution costs	2, 3	(54.555)	(58.677)
Administrative expenses	2, 3	(20.040)	(18.238)
Other operating income	4	26.742	0
Operating profit/loss		17.583	(5.840)
Income from investments in group enterprises		(6.627)	(1.026)
Other financial income		64	99
Other financial expenses		(3.022)	(3.135)
Profit/loss before tax		7.998	(9.902)
Tax on profit/loss for the year	5	(8.640)	1.910
Profit/loss from continuing operations		(642)	(7.992)
Profit/loss from discontinued operations	6	1.340	0
Profit/loss for the year	7	698	(7.992)

Parent balance sheet at 30.09.2017

	<u>Notes</u>	<u>2016/17 DKK'000</u>	<u>2015/16 DKK'000</u>
Acquired trademarks		0	1.012
Intangible assets	8	0	1.012
Plant and machinery		14.711	15.582
Other fixtures and fittings, tools and equipment		7.142	7.938
Leasehold improvements		3.551	4.441
Property, plant and equipment	9	25.404	27.961
Investments in group enterprises		979	55.400
Receivables from group enterprises		1.739	5.270
Other investments		488	0
Fixed asset investments	10	3.206	60.670
Fixed assets		28.610	89.643
Manufactured goods and goods for resale		84.866	84.732
Prepayments for goods		183	227
Inventories		85.049	84.959
Trade receivables		14.474	23.078
Receivables from group enterprises		32.922	20.436
Deferred tax	13	0	1.232
Other receivables		15.809	3.337
Prepayments	11	757	826
Receivables		63.962	48.909
Cash		24	96
Current assets		149.035	133.964
Assets		177.645	223.607

Parent balance sheet at 30.09.2017

	<u>Notes</u>	<u>2016/17 DKK'000</u>	<u>2015/16 DKK'000</u>
Contributed capital	12	501	500
Reserve for net revaluation according to the equity method		0	12.900
Retained earnings		22.356	22.384
Equity		22.857	35.784
Deferred tax	13	1.050	0
Provisions for investments in group enterprises	14	1.933	0
Provisions		2.983	0
Finance lease liabilities		330	730
Payables to group enterprises		2.075	175
Non-current liabilities other than provisions	15	2.405	905
Current portion of long-term liabilities other than provisions	15	274	269
Bank loans		41.290	40.413
Trade payables		79.024	71.483
Payables to group enterprises		2.806	53.076
Joint taxation contribution payable		183	0
Other payables		25.823	21.677
Current liabilities other than provisions		149.400	186.918
Liabilities other than provisions		151.805	187.823
Equity and liabilities		177.645	223.607
Financial instruments	16		
Unrecognised rental and lease commitments	17		
Contingent liabilities	18		
Assets charged and collateral	19		
Related parties with controlling interest	20		
Transactions with related parties	21		

Parent statement of changes in equity for 2016/17

	Contributed capital DKK'000	Share premium DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000
Equity beginning of year	500	0	12.900	22.384
Increase of capital	1	9.999	0	0
Transferred from share premium	0	(9.999)	0	9.999
Extraordinary dividend paid	0	0	0	0
Exchange rate adjustments	0	0	(5.371)	0
Value adjustments	0	0	0	(4.172)
Tax of entries on equity	0	0	0	918
Profit/loss for the year	0	0	(7.529)	(6.773)
Equity end of year	501	0	0	22.356

	Proposed extraordinary dividend DKK'000	Total DKK'000
Equity beginning of year	0	35.784
Increase of capital	0	10.000
Transferred from share premium	0	0
Extraordinary dividend paid	(15.000)	(15.000)
Exchange rate adjustments	0	(5.371)
Value adjustments	0	(4.172)
Tax of entries on equity	0	918
Profit/loss for the year	15.000	698
Equity end of year	0	22.857

Notes to parent financial statements

	2016/17 DKK'000	2015/16 DKK'000
1. Revenue		
Denmark	300.246	375.063
Other countries	186.349	182.505
	486.595	557.568

The Company's segments comprise business areas and geographical markets.

The Company's primary activities comprise purchase, packing and sale of fresh and dried fruits and vegetables. Referring to §96 of the Danish Financial Statements Act, Management does not want to further disclose revenue per activity as this will be of considerable damage to the competitive situation.

	2016/17 DKK'000	2015/16 DKK'000
2. Staff costs		
Wages and salaries	69.131	70.756
Pension costs	10.027	11.312
Other social security costs	1.382	1.391
Other staff costs	1.683	1.868
	82.223	85.327
Average number of employees	157	166

	Remunera- tion of manage- ment 2016/17 DKK'000	Remunera- tion of manage- ment 2015/16 DKK'000
Total amount for management categories	3.249	3.438
	3.249	3.438

	2016/17 DKK'000	2015/16 DKK'000
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	318	201
Depreciation on property, plant and equipment	7.864	6.091
Profit/loss from sale of intangible assets and property, plant and equipment	(418)	(218)
	7.764	6.074

4. Other operating income

Other operating income comprises profit and loss on sale of trademarks on Earth Control.

Notes to parent financial statements

	2016/17 DKK'000	2015/16 DKK'000
5. Tax on profit/loss for the year		
Current tax	6.518	0
Change in deferred tax	2.122	(1.910)
	8.640	(1.910)

Current tax includes DKK 5,417k relating to withholding tax on the distribution of dividends from the subsidiary System Multifood Ltd.

	2016/17 DKK'000
6. Discontinued operations	
Income statement	
Gains or losses from disposals etc	1.340
Pre-tax profit/loss from discontinued operations	1.340

	2016/17 DKK'000	2015/16 DKK'000
7. Proposed distribution of profit/loss		
Extraordinary dividend distributed in the financial year	15.000	15.000
Transferred to reserve for net revaluation according to the equity method	(7.529)	(1.026)
Retained earnings	(6.773)	(21.966)
	698	(7.992)

	Acquired trademarks DKK'000
8. Intangible assets	
Cost beginning of year	1.546
Additions	565
Disposals	(2.111)
Cost end of year	0
Amortisation and impairment losses beginning of year	(534)
Amortisation for the year	(318)
Reversal regarding disposals	852
Amortisation and impairment losses end of year	0
Carrying amount end of year	0

Notes to parent financial statements

	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve- ments DKK'000
9. Property, plant and equipment			
Cost beginning of year	45.499	16.662	8.714
Additions	1.914	2.819	574
Disposals	(650)	(1.168)	0
Cost end of year	46.763	18.313	9.288
Depreciation and impairment losses beginning of year	(29.917)	(8.724)	(4.273)
Depreciation for the year	(2.785)	(3.615)	(1.464)
Reversal regarding disposals	650	1.168	0
Depreciation and impairment losses end of year	(32.052)	(11.171)	(5.737)
Carrying amount end of year	14.711	7.142	3.551
Recognised assets not owned by entity	-	744	-

Notes to parent financial statements

	Investments in group enterprises DKK'000	Receivables from group enterprises DKK'000	Other investments DKK'000
10. Fixed asset investments			
Cost beginning of year	42.501	5.270	0
Transfers	(488)	0	488
Additions	3.720	(2.650)	0
Disposals	(26.262)	(881)	0
Cost end of year	19.471	1.739	488
Revaluations beginning of year	12.899	0	0
Exchange rate adjustments	(5.371)	0	0
Transfers	18.492	0	0
Share of profit/loss for the year	(4.784)	0	0
Adjustment of intra-group profits	517	0	0
Dividend	(36.096)	0	0
Investments with negative equity value transferred to provisions	1.933	0	0
Reversal regarding disposals	12.410	0	0
Revaluations end of year	0	0	0
Transfers	(18.492)	0	0
Impairment losses end of year	(18.492)	0	0
Carrying amount end of year	979	1.739	488

The Company has sold 100% of Crispo Denmark ApS and 95% of System Multifood Ltd. in the financial year.

Subsidiaries

- The Company owns 100% of System Frugt AB (Reg. in Sweden) and System Frugt Oy AB (Reg. in Finland).

Other Investment

- The Company owns 5% of System Multifood Ltd. (Reg. in Turkey).

11. Prepayments

Prepayments relate to prepaid costs, including prepaid licenses and insurance etc.

Notes to parent financial statements

	Number	Par value DKK'000	Nominal value DKK'000	Recorded par value DKK'000
12. Contributed capital				
Ordinary Shares	2	150	300	150
Ordinary Shares	2	100	200	100
Ordinary Shares	1	1	1	1
	5		501	251

	2016/17 DKK'000	2015/16 DKK'000
13. Deferred tax		
Intangible assets	0	222
Property, plant and equipment	1.620	1.287
Inventories	331	341
Tax losses carried forward	(901)	(3.082)
	1.050	(1.232)

Changes during the year

Beginning of year	(1.232)
Recognised in the income statement	2.122
Other changes	160
End of year	1.050

14. Provisions for investments in group enterprises

Other provisions include negative equity interests in group companies where the Company has undertaken to add additional liquidity so that it can fulfill its obligations to third parties.

	Due within 12 months 2016/17 DKK'000	Due within 12 months 2015/16 DKK'000	Due after more than 12 months 2016/17 DKK'000
15. Liabilities other than provisions			
Finance lease liabilities	274	269	330
Payables to group enterprises	0	0	2.075
	274	269	2.405

Notes to parent financial statements

16. Financial instruments

Disclosure on forward exchange contracts acquired to hedge liabilities

Other payables include a negative fair value of the forward exchange contracts of DKK 3,531k. The forward exchange contracts have been acquired to hedge the foreign currency risk of trade payables in USD and AUD. The exchange gain has been set off against the value adjustments of the hedged payables in the income statement. The forward exchange contracts have a term of 0-13 months. The forward exchange contracts have been entered into with the Company's usual bank.

	<u>2016/17</u> <u>DKK'000</u>	<u>2015/16</u> <u>DKK'000</u>
17. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	<u>12.501</u>	<u>12.674</u>

Unrecognised rental and lease commitments relate to operating leases totalling DKK 5,705k as well as rental commitments totalling DKK 6,796k.

18. Contingent liabilities

The Company has committed itself to fixed price and quantity contracts towards its suppliers of goods and services on delivery of raw materials in the coming financial years. The contractual residual commitments from the concluded contracts at 30 September 2017 amount to DKK 83,102k.

The Company participates in a Danish joint taxation arrangement in which Anpartsselskabet af 9. September 2010 serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable for income taxes etc for the jointly taxed companies and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

The Group's bank has issued a guarantee for non-recognised import letters of credit with an open balance at the balance sheet date totalling DKK 758k.

19. Assets charged and collateral

The Company has issued letters of credit and payment guarantees through its bank to suppliers amounting to DKK 298k (2015/16: 664k).

As security for all accounts with Jyske Bank, a floating charge has been granted of nominal DKK 10,000k over the Company's unsecured claims arising from the sale of goods and services and inventories. The carrying amount is DKK 99,523k at 30.09.2017.

A negative pledge is registered for unsecured claims arising from the sale of goods and services.

Notes to parent financial statements

20. Related parties with controlling interest

Related parties with controlling interest in the Company include:

System Frugt Holding A/S, Fredensborg
Anpartsselskabet af 9. september 2010, Kokkedal
BWB Partners II K/S, Kokkedal

21. Transactions with related parties

Only transactions with related parties that are not carried out at market terms are disclosed in the annual report. No such transactions have been performed in the financial year.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large) with addition of certain provisions for reporting class D.

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

Non-comparability

Group Management has chosen to present consolidated financial statements this year. In accordance with §128(4) of the Danish Financial Statements Act, key figures are only available for the financial years 2016/17 and 2015/16.

During the financial year 2016/17, the Group has sold Crispo Denmark ApS, which has led to the termination of activity. Crispo Denmark ApS is therefore included in the consolidated and parent financial statements as a discontinued activity. No comparison has been made with comparative figures, so figures for the year are not directly comparable with previous year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

Accounting policies

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' proportionate share of profit or loss is presented as a separate item in Management's proposal for distribution of profit or loss, and their share of subsidiaries' net assets is presented as a separate item in group equity.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Production costs

Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary writedown of inventories.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment attached to the distribution process.

Accounting policies

Administrative expenses

Administrative expenses comprise costs incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with the Parent and all the Parent's other Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Goodwill

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile. Useful lives are reassessed annually. The amortisation periods used are 20 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc

Intellectual property rights etc comprise acquired intellectual property rights assets.

Accounting policies

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, which is estimated at 5 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Plant and machinery	3-8 years
Other fixtures and fittings, tools and equipment	3-6 years
Leasehold improvements	5 years

Estimated useful lives and residual values are reassessed annually.

Items of plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

In the parent financial statements, investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits and losses.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for Net revaluation according to the equity method under equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Other investments

Other investments comprise unlisted investments measured at the lower of cost and net realisable value.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Accounting policies

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost.

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

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Finance lease liabilities

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable

Current tax receivable or payable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Accounting policies

Joint taxation contributions receivable or payable

Current joint taxation contributions receivable or joint taxation payable is recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.