

**System Frugt A/S**  
Blomstervej 8  
8383 Tilst  
Business Registration No  
13473498

**Annual report 2020**

The Annual General Meeting adopted the annual report on 24.06.2021

**Chairman of the General Meeting**

---

Name: Kim Juhl Sørensen

## **Contents**

	<b><u>Page</u></b>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	6
Income statement 2020	10
Balance sheet 2020	11
Statement of changes in equity for 2020	13
Cash flow statement 2020	14
Accounting policies	21

## Entity details

### Entity

System Frugt A/S  
Blomstervej 8  
8381 Tilst

Central Business Registration No (CVR): 13473498

Registered in: Aarhus

Financial year: 01.01.2020 - 31.12.2020

Phone: +45 87459595

Fax: +45 87459596

E-mail:

### Board of Directors

Ulrika Palm  
Per Knutsson  
Tora Maria Molander

### Executive Board

Kim Juhl Sørensen, 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 01.01.2020 - 31.12.2020.

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 31.12.2020 and of the results of its operations and cash flows for the financial year 01.01.2020 - 31.12.2020.

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.

Tilst, 24.06.2021

### **Executive Board**

Kim Juhl Sørensen  
CEO

### **Board of Directors**

Ulrika Palm

Per Knutsson

Tora Maria Molander

# Independent auditor's report

## To the shareholders of System Frugt A/S

### Opinion

We have audited the financial statements of System Frugt A/S for the financial year 01.01.2020 - 31.12.2020, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2020 and of the results of its operations and cash flows for the financial year 01.01.2020 - 31.12.2020 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity 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 financial statements

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

In preparing the financial statements, Management is responsible for assessing the 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 financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

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

## Independent auditor's report

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

Management is responsible for the management commentary.

Our opinion on the 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 financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the 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.

## Independent auditor's report

Based on the work we have performed, we conclude that the management commentary 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 commentary.

Aarhus, 24.06.2021

### **Deloitte**

Statsautoriseret Revisionspartnerselskab  
Central Business Registration No (CVR) 33963556

Henrik Vedel  
State Authorised Public Accountant  
Identification No (MNE) mne10052

Tommy Schormand Johansen  
State Authorised Public Accountant  
Identification No (MNE) mne44080

## Management commentary

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017/18</b>	<b>2016/17</b>
	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>
<b>Financial highlights</b>					
<b>Key figures</b>					
Revenue	383,773	385,005	170,795	488,281	486,595
Gross profit/loss	51,336	57,316	21,203	57,465	65,436
Operating profit/loss	(26,899)	(3,179)	5,923	(5,624)	(9,402)
Net financials	(2,958)	(4,207)	(3,881)	(10,416)	(11,259)
Profit/loss for the year	(30,074)	(6,391)	2,194	(35,725)	(32,709)
Total assets	250,512	239,558	279,406	311,285	310,854
Investments in property, plant and equipment	3,911	7,004	1,534	15,747	5,307
Equity	85,054	101,533	137,827	102,218	49,858
<b>Ratios</b>					
Return on equity (%)	(32,2)	(5,0)	1,8	(47,0)	(52,0)
Equity ratio (%)	33,9	42,4	49,3	32,8	16,0
Profit ratio (%)	(7,0)	(1,7)	1,2	(7,3)	(7,0)

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Historical figures (2016/17 to 2018) are not adjusted for the change in accounting for investment in subsidiaries and amortization on goodwill.

Key figures for 2018 are not directly comparable with previous years, as these include the period 01.10.2018 to 31.12.2018.

<b>Ratios</b>	<b>Calculation formula</b>	<b>Calculation formula reflects</b>
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.
Profit ratio (%)	$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$	The share of revenue turning into profit.



## Management commentary

### Primary activities

System Frugt A/S is the parent company 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 and natural snacks.
- Our products are marketed under the brand "Earth Control" and customers own labels.

In October 2020 System Frugt A/S and the owner (Anpartsselskabet af 9. September 2010) was sold to the Swedish Midsona Group.

On 31.12.2020 the subsidiaries in Sweden and Norway was sold to the parent company Midsona AB.

This Annual report contains the reporting for System Frugt A/S – the parent company. For consolidated figures reference is made to the ultimate owner – Midsona AB.

### Change in accounting principles

The accounting policies applied to these financial statements have changed compared to those applied last year as the Company has changed its accounting principles from IFRS to Danish GAAP. The changes are made in connection with the change of control of the Company and to adopt similar principles for the Groups companys in Denmark.

The changes primarily consists of two items in that leases previously recognised under IFRS 16 are no longer recognised in the balance sheet and that goodwill is amortised on a straight-line basis. The net effect is:

	<b>Profit and loss</b>	<b>Assets</b>	<b>Equity</b>
	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>
Before change 2019	(2,486)	287,143	133,523
Changes of accounting principles	(9,843)	(47,585)	(31,990)
After change 2019	<b>(12,329)</b>	<b>239,558</b>	<b>101,533</b>

The impact on the financial statements for 2020 is solely related to amortisation of goodwill of 9,843 t.DKK

### Development in activities and finances

In 2020 System Frugt continued the strong performance from 2019. This resulted in a "profit/loss for the year" of DKK -30,074 – after significant one-off costs related to the transaction and restructuring decided.

During 2020 the Covid-19 pandemic changed the conditions in the market significantly – consumers were asked to stay at home and change their shopping behavior. At the same time restaurants, cafes and hotels were closed – leading to significant declines in the food-service sector across Denmark. System Frugt has however managed to keep the high level of performance and to operate under these constantly changing

## Management commentary

conditions. The impact on the financial statement is mainly seen through increased turnover with lower margins – due to execution of activities in store to be attractive to the consumers.

In October the shares of System Frugt A/S were sold to Midsona AB – meaning a complete change of ownership. This has led to changes in the organizational and legal set-up in the future and redundancy and restructuring costs related to these changes are accrued for in the 2020 financial statement.

The average number of employees is 98 compared to 118 last year.

Profit after tax for the year amounts to DKK -30,074k (2019: -12,329k).

The financial performance for the year is considered acceptable.

### Outlook

All activities in System Frugt A/S will be transferred to relevant Midsona companies during 2021.

### Particular risk

#### Business risks

The main operating risk relates to the development in raw material prices and especially the possibility of passing such fluctuations on to the consumers in the sales prices. The company has well-developed policies and procedures to reduce and monitor these price risks.

The continuing growth of discounters in the market might put pressure on the retail sector leading to pressure on the pricing and thereby the margins in the business.

### Financial risks

The financial risks mainly relate to the fluctuations in exchange rates, as a considerable part of the Company's purchases are made in USD. Such fluctuations can have derived impact on financial performance, equity and cash flow. It is the Company's policy to hedge these commercial foreign exchange risks mainly by using forward exchange contracts.

### Environmental performance

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

### Research and development activities

Within the current product portfolio, the Company constantly focus on improving the quality of products and efficiency of marketing and production facilities. New launches will mainly be in the form of line extensions.

### Statutory report on corporate social responsibility

Reference is made to the CSR statement that is included in the consolidated financial statements of the parent company Midsona AB URL <https://www.midsona.com/investerare/rapporter/arsredovisningar/>

## Management commentary

### **Statutory report on the underrepresented gender**

The ambition of the Company is still to have one of the seats on the Board of Directors held by women. With the change of ownership and thereby a new elected Board of Directors, the number of Board members was reduced from five to three. Out of the three new members of the Board of Directors, there is two females. This means that target of one female Board member is met.

### **Events after the balance sheet date**

On 31.05.2021 the Group has decided to join its activities in Denmark in a single company. Therefore the majority of the net assets of System Frugt A/S has been sold to Midsona Danmark A/S. After this date System Frugt A/S has no production or sales activities.

To this date no further events have occurred since the balance sheet date, which would influence the evaluation of this annual report.

## Income statement for 2020

	<b>Notes</b>	<b>2020 DKK'000</b>	<b>2019 DKK'000</b>
Revenue	2	383,773	385,005
Production costs	3,4	<u>(332,437)</u>	<u>(327,689)</u>
<b>Gross profit/loss</b>		<b>51,336</b>	<b>57,316</b>
Distribution costs	3,4	(39,118)	(40,282)
Administrative expense	3,4	<u>(39,117)</u>	<u>(20,213)</u>
<b>Operating profit/loss</b>		<b>(26,899)</b>	<b>(3,179)</b>
Income from investments in group enterprises		13,103	995
Other financial income	5	1	3
Other financial expenses	6	<u>(2,959)</u>	<u>(4,210)</u>
<b>Profit/loss before tax</b>		<b>(16,754)</b>	<b>(6,391)</b>
Tax on profit/loss for the year	7	<u>(13,320)</u>	<u>0</u>
Profit/loss from continuing operations		<u><b>(30,074)</b></u>	<u><b>(6,391)</b></u>
Profit/loss from discontinued operations		<u>0</u>	<u><b>(5,938)</b></u>
<b>Profit/loss for the year</b>	8	<u><b>(30,074)</b></u>	<u><b>(12,329)</b></u>

## Balance sheet at 31.12.2020

	<u>Notes</u>	<u>2020</u> <u>DKK'000</u>	<u>2019</u> <u>DKK'000</u>
Acquired intangible assets		1,937	7,869
Goodwill		105,815	115,658
<b>Intangible assets</b>	<b>9</b>	<b>107,752</b>	<b>123,527</b>
Plant and machinery		12,827	15,456
Leasehold improvements		2,612	1,730
<b>Property, plant and equipment</b>	<b>10</b>	<b>15,439</b>	<b>17,186</b>
Investments in group enterprises		4,466	3,591
<b>Fixed asset investments</b>	<b>11</b>	<b>4,466</b>	<b>3,591</b>
<b>Fixed assets</b>		<b>127,657</b>	<b>144,304</b>
Raw materials and consumables		32,055	32,513
Work in progress		0	0
Manufactured goods and goods for resale		15,208	15,134
<b>Inventories</b>		<b>47,263</b>	<b>47,647</b>
Deferred tax		0	8,250
Trade receivables		18,729	11,152
Receivables from group enterprises		23,955	9,239
Other receivables		125	8,273
Prepayments	12	1,285	437
<b>Receivables</b>		<b>44,094</b>	<b>37,351</b>
<b>Cash</b>		<b>31,498</b>	<b>1,202</b>
<b>Assets classified as held for sale</b>		<b>0</b>	<b>9,054</b>
<b>Current assets</b>		<b>122,855</b>	<b>95,254</b>
<b>Assets</b>		<b>250,512</b>	<b>239,558</b>

## Balance sheet at 31.12.2020

	<u>Notes</u>	<u>2020</u> <u>DKK'000</u>	<u>2019</u> <u>DKK'000</u>
Contributed capital	13	510	510
Retained earnings		<u>84,544</u>	<u>101,023</u>
<b>Equity</b>		<b><u>85,054</u></b>	<b><u>101,533</u></b>
Deferred tax		<u>4,259</u>	<u>0</u>
<b>Provisions</b>		<b><u>4,259</u></b>	<b><u>0</u></b>
Other payables		<u>2,098</u>	<u>10,440</u>
<b>Non-current liabilities other than provisions</b>		<b><u>2,098</u></b>	<b><u>10,440</u></b>
Current portion of long-term liabilities other than provisions		617	9,198
Bank loans		0	20,043
Trade payables		48,583	62,442
Payables to group enterprises		77,022	12,049
Other payables		<u>32,879</u>	<u>17,514</u>
<b>Current liabilities other than provisions</b>		<b><u>159,101</u></b>	<b><u>121,246</u></b>
Liabilities associated with assets classified as held for sale		0	6,339
<b>Liabilities other than provisions</b>		<b><u>161,199</u></b>	<b><u>138,025</u></b>
<b>Equity and liabilities</b>		<b><u>250,512</u></b>	<b><u>239,558</u></b>
Changes in working capital	14		
Unrecognised rental and lease commitments	15		
Assets charged and collateral	16		
Contingent liabilities	17		
Transactions with related parties	18		
Group relations	19		

## Statement of changes in equity for 2020

	<b>Contributed capital DKK'000</b>	<b>Retained earnings DKK'000</b>	<b>Total DKK'000</b>
Equity beginning of year	510	133,013	133,523
Change of accounting principles	0	(31,990)	(31,990)
Fair value adjustments	0	(2,906)	(2,906)
Debt conversion	0	16,501	16,501
Profit/loss for the year	0	(30,074)	(30,074)
<b>Equity end of year</b>	<b>510</b>	<b>84,544</b>	<b>85,054</b>

## Cash flow statement for 2020

	<b>Notes</b>	<b>2020 DKK'000</b>	<b>2019 DKK'000</b>
Operating profit/loss		(26,899)	6,664
Profit from discontinued operations		0	(5,938)
Amortisation, depreciation and impairment losses		23,619	22,025
Working capital changes	15	<u>(5,052)</u>	<u>(6,748)</u>
<b>Cash flow from ordinary operating activities</b>		<b>(8,332)</b>	<b>16,003</b>
Financial income received		1	3
Financial expenses paid		<u>(2,959)</u>	<u>(4,210)</u>
<b>Cash flows from operating activities</b>		<b>(11,290)</b>	<b>11,796</b>
Acquisition etc of intangible assets		(2,204)	(3,936)
Acquisition etc of property, plant and equipment		(3,911)	(3,867)
Sale of property, plant and equipment		<u>4,566</u>	<u>0</u>
<b>Cash flows from investing activities</b>		<b>(1,549)</b>	<b>(7,803)</b>
Repayments of loans etc		(36,966)	(4,900)
Debt conversion to equity		16,501	0
Finance restructure		<u>63,600</u>	<u>0</u>
<b>Cash flows from financing activities</b>		<b>43,135</b>	<b>(4,900)</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>30,296</b>	<b>(907)</b>
Cash and cash equivalents beginning of year		<u>1,202</u>	<u>2,109</u>
<b>Cash and cash equivalents end of year</b>		<b><u>31,498</u></b>	<b><u>1,202</u></b>



## Notes

### 1. Events after the balance sheet date

On 31.05.2021 the Group has decided to join its activities in Denmark in a single company. Therefore the majority of the net assets of System Frugt A/S has been sold to Midsona Danmark A/S. After this date System Frugt A/S has no production or sales activities.

To this date no further events have occurred since the balance sheet date, which would influence the evaluation of this annual report.

	<b>2020</b>	<b>2019</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>2. Revenue</b>		
<b>Revenue by geographical market</b>		
Denmark	220,449	206,023
Other EU countries	130,157	141,739
Other European countries	33,167	37,243
Other countries	0	0
	<b>383,773</b>	<b>385,005</b>

The Entity's products cannot be broken down into product groups, etc. and therefore no operating segments have been identified. The revenue consists of sale of food products.

	<b>2020</b>	<b>2019</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>3. Staff costs</b>		
Wages and salaries	59,557	51,285
Pension costs	12,482	7,547
Other social security costs	2,179	1,245
	<b>74,218</b>	<b>60,077</b>
Staff costs are distributed as follows		
Production costs	33,612	32,746
Distribution costs	21,488	22,002
Administrative expense	19,118	5,329
	<b>74,218</b>	<b>60,077</b>
Average number of employees	<b>98</b>	<b>118</b>

## Notes

	<b>Remunera- tion of manage- ment 2020 DKK'000</b>	<b>Remunera- tion of manage- ment 2019 DKK'000</b>
Total amount for management categories	9,781	3,058
	<b>9,781</b>	<b>3,058</b>
	<b>2020 DKK'000</b>	<b>2019 DKK'000</b>
<b>4. Depreciation, amortisation and impairment losses</b>		
Amortisation of intangible assets	17,902	2,593
Depreciation of property, plant and equipment	5,717	16,026
Impairment losses	0	3,406
	<b>23,619</b>	<b>22,025</b>
Depreciation, amortisation and impairment losses are distributed as follows		
Production costs	21,514	15,176
Distribution costs	874	4,893
Administrative expense	1,231	1,956
	<b>23,619</b>	<b>22,025</b>
	<b>2020 DKK'000</b>	<b>2019 DKK'000</b>
<b>5. Other financial income</b>		
Financial income arising from group enterprises	0	3
Other interest income	1	0
	<b>1</b>	<b>3</b>
	<b>2020 DKK'000</b>	<b>2019 DKK'000</b>
<b>6. Other financial expenses</b>		
Financial expenses from group enterprises	397	61
Interest expenses from bank debt etc.	2,471	3,100
Interest expenses from lease liabilities	91	848
Exchange rate adjustments	0	201
	<b>2,959</b>	<b>4,210</b>

## Notes

	<b>2020</b>	<b>2019</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>7. Tax on profit/loss for the year</b>		
Change in deferred tax	13,320	0
	<b>13,320</b>	<b>0</b>
	<b>2020</b>	<b>2019</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>8. Proposed distribution of profit/loss</b>		
Retained earnings	(30,074)	(2,486)
	<b>(30,074)</b>	<b>(2,486)</b>
	<b>Goodwill</b>	<b>Acquired intangible assets</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>9. Intangible assets</b>		
Cost beginning of year	196,864	18,108
Transfer	0	(187)
Additions/Disposals	0	2,204
<b>Cost end of year</b>	<b>196,864</b>	<b>20,125</b>
Amortisation and impairment losses beginning of year	(81,206)	(10,239)
Amortisation for the year	(9,843)	(8,059)
Transfer	0	110
<b>Amortisation and impairment losses end of year</b>	<b>(91,049)</b>	<b>(18,188)</b>
<b>Carrying amount end of year</b>	<b>105,815</b>	<b>1,937</b>

## Notes

	<b>Plant and machinery DKK'000</b>	<b>Leasehold improve- ments DKK'000</b>
<b>10. Property, plant and equipment</b>		
Cost beginning of year	64,350	9,492
Additions	2,158	1,753
Transfer	187	0
Disposals	(177)	0
<b>Cost end of year</b>	<b>66,518</b>	<b>11,245</b>
Depreciation and impairment losses beginning of year	(48,895)	(7,764)
Depreciation for the year	(4,889)	(869)
Reversal regarding disposals	93	0
<b>Depreciation and impairment losses end of year</b>	<b>(53,691)</b>	<b>(8,633)</b>
<b>Carrying amount end of year</b>	<b>12,827</b>	<b>2,612</b>
		<b>Investments in group enterprises DKK'000</b>
<b>11. Fixed asset investments</b>		
Cost beginning of year		27,767
Acquisitions		30
Disposals		(23,331)
<b>Cost end of year</b>		<b>4,466</b>
<b>Impairment losses at beginning of year</b>		(24,176)
Reversal of impairment losses		3,418
Disposals		20,758
<b>Impairment losses at end of year</b>		<b>(0)</b>
<b>Carrying amount end of year</b>		<b>4,466</b>
	<b>Ownership in percentage</b>	<b>Share of voting rights</b>
<b>Ficed asset investments</b>		
System Frugt Oy AB, Finland	100	100

## Notes

### 12. Prepayments

Prepayments comprise insurance, subscriptions, licences, leasing and rent

	<u>Number</u>	<u>Par value DKK'000</u>	<u>Nominal value DKK'000</u>
<b>13. Contributed capital</b>			
A-shares	510	1	510
	<u>510</u>		<u>510</u>

	<u>2020 DKK'000</u>	<u>2019 DKK'000</u>
<b>14. Change in working capital</b>		
Increase/decrease in inventories	384	(12,630)
Increase/decrease in receivables	(5,939)	6,151
Increase/decrease in trade payables etc	503	(269)
	<u>(5,052)</u>	<u>(6,748)</u>

	<u>2020 DKK'000</u>	<u>2019 DKK'000</u>
<b>15. Unrecognised rental and lease commitments</b>		
Liabilities under rental or lease agreements until maturity in total	<u>9,885</u>	<u>12,139</u>

### 16. Assets charged and collateral

The Company has issued letters of credit and payment guarantees through its bank to suppliers amounting to DKK 106k (2019: DKK 52k)

As security for all accounts with Jyske Bank, a floating charge has been granted of nominal DKK 30,000k over System Frugt A/S' unsecured claims arising from the sale of goods and services and inventories. The carrying amount is DKK 53,508k at 31.12.2020 (2019: 58,799k).

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

### 17. Contingent liabilities

The Entity has committed itself to fixed price and quantity contracts towards its suppliers of goods and services on delivery of raw material in the coming financial years. The contractual commitments from the concluded contracts at 31 December 2020 amount to DKK 94,618k (2019: DKK 68,381k). The Entity's bank has issued a guarantee for non-recognised import letters of credit with an open balance at the balance sheet date totalling DKK 404k (2019: DKK 469k)

## Notes

The Company is party to a mandatory Danish joint taxation arrangement until 06.10.2020 with Anparts-selskabet af 9. September 2010 as the administration company. From 07.10.2020 the Company is jointly taxed with Midsona Danmark A/S serving as the administration company. The joint taxation arrangement complies with general Danish tax legislation and has included other Danish sister companies due to common ultimate ownership.

From 16 July 2015, the Company is partially jointly and secondarily liable for obligations, if any, relating to withholding of tax on interest, royalties and dividend for the jointly taxed companies. However, secondary liability cannot exceed an amount equivalent to the share of capital of the Company which is owned directly or indirectly by the ultimate parent.

### **18. Transactions with related parties**

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report.

### **19. Group relations**

Name and registered office of the Parent preparing consolidated financial statements for the largest group: Midsona AB, Reg-no. 556241-5322, Dockplatsen 16, Malmø, Sweden.

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Midsona AB, Reg-no. 556241-5322, Dockplatsen 16, Malmø, Sweden.

## 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).

The accounting policies applied to these financial statements have changed compared to those applied last year as the Company has changed its accounting principles from IFRS to Danish GAAP. The changes are made in connection with the change of control of the Company and to adopt similar principles for the Groups companies in Denmark.

The changes primarily consists of two items in that leases previously recognised under IFRS 16 are no longer recognised in the balance sheet and that goodwill is amortised on a straight-line basis. The net effect is:

	<b>Profit and loss</b>	<b>Assets</b>	<b>Equity</b>
	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>
Before change 2019	(2,486)	287,143	133,523
Changes of accounting principles	(9,843)	(47,585)	(31,990)
After change 2019	<b>(12,329)</b>	<b>239,558</b>	<b>101,533</b>

The impact on the financial statements for 2020 is solely related to amortisation of goodwill of 9,843 t.DKK

### Consolidated financial statements

Referring to section 112(2) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. Consolidated financial statements

### 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.

## Accounting policies

### Business combinations

The uniting-of-interests method is applied on mergers where the enterprises concerned are controlled by the Parent, under which method the combination is considered completed at the date of acquisition without restatement of comparative figures. Under the uniting-of-interests method, the acquiree's assets and liabilities are recognised at their carrying amounts, adjusted for any differences in accounting policies and accounting estimates. The difference between the consideration agreed and the carrying amount of the acquiree is recognised in equity.

### 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.

#### Other operating income

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

#### 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.

#### 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 amortisa-



## Accounting policies

tion, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

### Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

### Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme 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 and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed on an annual basis. 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.

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.

## Accounting policies

### 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:

Buildings	10-40 years
Plant and machinery	2-8 years
Leasehold improvements	3 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

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

### Investments in group enterprises

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

### Receivables

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

### 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.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on 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.

## Accounting policies

### 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 computed on this year's taxable income, adjusted for prepaid tax.

### 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.

## Accounting policies

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, repayments of 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.