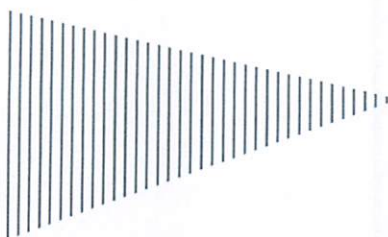


# Fayrefield Foodtec. Scandinavia A/S

Lysholt Allé 6, 1., 7100 Vejle

CVR no. 20 28 72 92



## Annual report 2016

Approved at the annual general meeting of shareholders on 22/5 2017

Chairman:



Building a better  
working world



## Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditors' report	3
Management's review	5
Company details	5
Financial highlights	6
Management commentary	7
Financial statements for the period 1 January - 31 December	9
Income statement	9
Balance sheet	10
Statement of changes in equity	12
Cash flow statement	13
Notes to the financial statements	14

### Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Fayrefield Foodtec. Scandinavia A/S for the financial year 1 January - 31 December 2016.

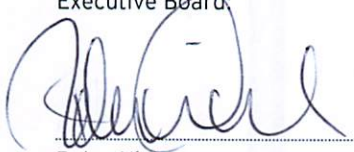
The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

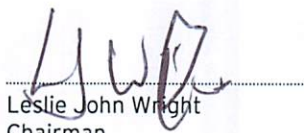
We recommend that the annual report be approved at the annual general meeting.

Vejle, 27 February 2017  
Executive Board:



Peter Nielsen

Board of Directors:



Leslie John Wright  
Chairman



Peter Nielsen



Jens Bruun Haugstrup



## Independent auditors' report

To the shareholders of Fayrefield Foodtec. Scandinavia A/S

### Opinion

We have audited the financial statements of Fayrefield Foodtec. Scandinavia A/S for the financial year 1 January - 31 December 2016, which comprise an 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 financial position of the Company at 31 December 2016, and of the results of the Company operations as well as the cash flows for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

### Basis for opinion

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

### Management's responsibilities for the financial statements

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

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

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

Our objectives are to obtain reasonable assurance 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 the financial statements.

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

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

### Independent auditors' report

- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

### Statement on Management's review

Management is responsible for the Management's review.

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

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

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

In our opinion, the Company does not live up to the requirement in the Danish Financial Statements Act regarding the report on the underrepresented gender and CSR.

Horsens, 27 February 2017  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28



Frank Therkildsen  
State Authorised Public Accountant



## Management's review

### Company details

Name	Fayrefield Foodtec. Scandinavia A/S
Address, Postal code, City	Lysholt Allé 6, 1., 7100 Vejle
CVR no.	20 28 72 92
Established	1 August 1997
Registered office	Vejle
Financial year	1 January - 31 December
Website	<a href="http://www.fayrefield.dk">www.fayrefield.dk</a>
Board of Directors	Leslie John Wright, Chairman Peter Nielsen Jens Bruun Haugstrup
Executive Board	Peter Nielsen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Holmboes Allé 12, 8700 Horsens, Denmark
Bankers	Sydbank Kirketorvet 4 7100 Vejle



## Management's review

### Financial highlights

DKKt	2016	2015	2014	2013	2012
<b>Key figures</b>					
Revenue	548,049	391,971	581,329	546,934	356,882
Gross margin	31,930	21,329	30,465	32,642	22,863
Profit/loss for the year	10,044	4,909	10,482	11,864	7,467
<b>Total assets</b>					
Equity	194,998	171,051	161,061	136,909	131,580
<b>Cash flows</b>					
Cash flows from operating activities	21,980	-6,186	-18,474	-6,816	-15,801
Net cash flows from investing activities	-3,780	-5,079	-1,200	-1,034	-3,755
Cash flows from financing activities	-6,405	-5,301	-5,989	-3,833	-3,646
<b>Financial ratios</b>					
Operating margin	2.8%	2.2%	2.9%	3.4 %	3.3 %
Gross margin	5.8%	5.4%	5.2%	6.0%	6.4%
Solvency ratio	17.6%	17.6%	18.2%	19.1%	13.8%
Return on equity	31.2%	16.5%	37.9%	53.6%	46.1%
<b>Average number of employees</b>					
	24	19	19	17	17

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations on the calculation of financial ratios "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.

## Management's review

### Management commentary

#### Business review

As in previous years the main object of the Company has been to conduct trading activities with goods and services primarily within the food industry.

#### Financial review

In 2016, the Company's revenue came in at DKK 548,048,813 against DKK 391,971,472 last year. The income statement for 2016 shows a profit of DKK 10,043,540 against a DKK 4,909,290 last year, and the balance sheet at 31 December 2016 shows equity of DKK 34,300,739.

Management considers the Company's financial performance in the year satisfactory.

#### *Non-financial matters*

#### Outlook

It is the opinion of the management that the positive development within the Company's main activity may be retained for the coming year.

Thus, the management foresees that the level of activities and income in the coming year will be at the same level as in the current year.

It is expected that we will acquire our sister company Lacto Foods A/S during 2017, which will increase both turnover and profit. This will be done to maximise the synergies between the two companies.

#### Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

#### Special risks

##### General risks

The most significant operating risks facing the Company relate to its ability to be strongly positioned in the markets in which it buys and sells products.

##### Financial risks

Due to its operations, investments and financing, the Company is exposed to changes in exchange rates and interest rates. It is the Company's policy not to engage in active speculation in financial risks. Thus, the Company's financial management activities are aimed only at managing risks already assumed.

##### Currency risks

The Company's activities are affected by exchange rate fluctuations, as its revenue and cost of sales are primarily generated in foreign currency, whereas expenses, including wages and salaries are paid in DKK.

The Company's currency risks are primarily hedged through a distribution of income and expenses in the same currency and through financial instruments. In accordance with the policy approved by the Board of Directors, risks on recognised financial assets and liabilities are hedged by way of financial agreements. Hedging takes place using forward exchange contracts, which are to hedge minimum 80% of the risks. Loan transactions in foreign currency are hedged through interest swaps, based on an individual assessment.



## Management's review

### Management commentary

#### Interest rate risks

The Company's interest-bearing debt, made up as mortgage debt and bank debt net of the Company's portfolio of negotiable securities and cash balances, fell from DKK 93 million to DKK 86 million in the year. The is the Company's policy to hedge interest rate risks on loans. Hedging is usually made by interest swaps under which floating-rate loans are rescheduled into fixed-rate counterparts.

#### Credit risks

The Company's credit risks partly relate to financial assets and partly to derivative financial instruments with a positive fair value. Credit risks related to financial assets correspond to the value recognised in the statement of financial position. The Company is not exposed to any significant risks relating to any particular customer or business partner. The Company's policy in respect of credit risks implies that all major customers and other business partners are credit-rated on an ongoing basis. Transactions with customers outside Denmark, except for immaterial agreements, are insured at Euler Hermes.

#### Impact on the external environment

The Company is environmentally conscious and constantly strives at reducing its environmental impact from its operations.

The Company has no formal policy for this.

#### Research and development activities

The Company does not carry on any particular R&D activities.

#### Statutory CSR report

##### Corporate Social Responsibility

The Company's manufactures its products in Denmark, and the products are exported to a number of other countries.

The Company has no formal policy for this, but complies with SEDEX.

##### Human rights

The Company has no formal policy for this, but complies with SEDEX.

#### Account of the gender composition of Management

The Company is owner-managed and therefore the Board of Directors is composed of owner representatives. The current owners are all men, and consequently there are no women members of the Board of Directors. As a result of agreements between the owners, it is not possible for the time being to change the Board of Directors.

The Board of Directors in the Company has set a target figure of 15% for the underrepresented gender in the Board of Directors. The Board of Directors work for the target figure to be achieved by the end of 2020. For the time being the underrepresented gender makes 0% of the members of the Board of Directors elected at the general meeting.

The Board of Directors currently consist of 3 members.

Since the Company employs less than 50 people, no policies for increasing the level of the underrepresented gender in managerial positions has been developed.



## Financial statements for the period 1 January - 31 December

### Income statement

Note	DKK	2016	2015
2	Revenue	548,048,813	391,971,472
	Raw materials and consumables	-512,079,662	-367,337,523
	Other external expenses	-4,039,615	-3,305,025
	<b>Gross margin</b>	<b>31,929,536</b>	<b>21,328,924</b>
3	Staff costs	-15,167,111	-11,888,156
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-1,018,878	-799,612
	Other operating expenses	-248,562	0
	<b>Profit before net financials</b>	<b>15,494,985</b>	<b>8,641,156</b>
4	Financial income	174,473	23,619
5	Financial expenses	-2,775,872	-2,195,755
	<b>Profit before tax</b>	<b>12,893,586</b>	<b>6,469,020</b>
6	Tax for the year	-2,850,046	-1,559,730
	<b>Profit for the year</b>	<b>10,043,540</b>	<b>4,909,290</b>



## Financial statements for the period 1 January - 31 December

### Balance sheet

Note	DKK	2016	2015
	<b>ASSETS</b>		
	<b>Fixed assets</b>		
7	<b>Property, plant and equipment</b>		
	Land and buildings	13,061,075	11,352,850
	Other fixtures and fittings, tools and equipment	5,804,882	2,296,488
		<u>18,865,957</u>	<u>13,649,338</u>
	<b>Investments</b>		
	Other receivables	217,854	108,000
		<u>217,854</u>	<u>108,000</u>
	<b>Total fixed assets</b>	<u>19,083,811</u>	<u>13,757,338</u>
	<b>Non-fixed assets</b>		
	<b>Inventories</b>		
	Raw materials and consumables	82,938,949	70,527,961
		<u>82,938,949</u>	<u>70,527,961</u>
	<b>Receivables</b>		
	Trade receivables	89,817,826	83,920,280
	Receivables from group entities	814,863	1,273,088
	Other receivables	260,493	571,742
	Deferred income	145,780	880,256
		<u>91,038,962</u>	<u>86,645,366</u>
	<b>Securities and investments</b>		
	Other securities and investments	43,840	44,360
		<u>43,840</u>	<u>44,360</u>
	<b>Cash</b>	1,892,610	76,774
	<b>Total non-fixed assets</b>	<u>175,914,361</u>	<u>157,294,461</u>
	<b>TOTAL ASSETS</b>	<u>194,998,172</u>	<u>171,051,799</u>

## Financial statements for the period 1 January - 31 December

### Balance sheet

Note	DKK	2016	2015
	<b>EQUITY AND LIABILITIES</b>		
	<b>Equity</b>		
8	Share capital	5,000,000	5,000,000
	Retained earnings	29,300,739	25,164,324
	Dividend proposed for the year	0	0
	<b>Total equity</b>	<b>34,300,739</b>	<b>30,164,324</b>
	<b>Provisions</b>		
11	Deferred tax	830,345	897,820
12	<b>Total provisions</b>	<b>830,345</b>	<b>897,820</b>
	<b>Liabilities other than provisions</b>		
10	<b>Non-current liabilities other than provisions</b>		
	Mortgage debt	275,153	345,153
	Lease liabilities	1,565,371	0
		<b>1,840,524</b>	<b>345,153</b>
	<b>Current liabilities other than provisions</b>		
	Mortgage debt	70,000	64,401
	Bank debt	82,667,082	92,644,892
	Lease liabilities	394,000	0
	Trade payables	63,492,785	38,163,089
	Payables to group entities	2,140,631	6,158,380
	Income taxes payable	1,348,199	246,372
	Other payables	5,595,150	1,615,545
	Deferred income	2,318,717	751,823
		<b>158,026,564</b>	<b>139,644,502</b>
	<b>Total liabilities other than provisions</b>	<b>159,867,088</b>	<b>139,989,655</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>194,998,172</b>	<b>171,051,799</b>

- 1 Accounting policies
- 13 Contractual obligations and contingencies, etc.
- 14 Collateral
- 15 Related parties
- 16 Fee to the auditors appointed by the Company in general meeting





## Financial statements for the period 1 January - 31 December

### Statement of changes in equity

DKK	Share capital	Retained earnings	Dividend proposed for the year	Total
Equity at				
1 January 2015	5,000,000	19,004,363	5,240,824	29,245,187
Other value adjustments of equity	0	1,250,671	0	1,250,671
17 Profit/loss for the year	0	4,909,290	0	4,909,290
Dividend distributed	0	0	-5,240,824	-5,240,824
Equity at				
1 January 2016	5,000,000	25,164,324	0	30,164,324
Other value adjustments of equity	0	-109,325	0	-109,325
17 Profit/loss for the year	0	10,043,540	0	10,043,540
Purchase of treasury shares	0	-9,663,000	0	-9,663,000
Sale of treasury shares	0	3,865,200	0	3,865,200
Equity at				
31 December 2016	5,000,000	29,300,739	0	34,300,739

The share capital is set up by 5,000 shares of DKK 1,000 and multiplum hereof. The shares are not distributed into classes.

## Financial statements for the period 1 January - 31 December

### Cash flow statement

Note	DKK	2016	2015
	Profit for the year	10,043,540	4,909,290
18	Adjustments	6,470,323	4,531,478
	Cash generated from operations (operating activities)	16,513,863	9,440,768
19	Changes in working capital	9,913,706	-11,620,598
	Cash generated from operations (operating activities)	26,427,569	-2,179,830
	Interest received, etc.	174,473	17,297
	Interest paid, etc.	-2,775,352	-2,284,108
	Income taxes paid	-1,784,859	-3,384,760
	Other cash flows from operating activities	-62,324	1,645,179
	<b>Cash flows from operating activities</b>	<b>21,979,507</b>	<b>-6,186,222</b>
	Additions of property, plant and equipment	-6,565,031	-5,079,470
	Sale of property, plant and equipment	282,000	0
	Loans	2,502,584	0
	<b>Cash flows to investing activities</b>	<b>-3,780,447</b>	<b>-5,079,470</b>
	Dividends distributed	0	-5,240,824
	Repayments, long-term liabilities	-607,614	-60,421
	Acquisition of treasury shares	-9,663,000	0
	Sale of treasury shares	3,865,200	0
	<b>Cash flows from financing activities</b>	<b>-6,405,414</b>	<b>-5,301,245</b>
	<b>Net cash flow</b>	<b>11,793,646</b>	<b>-16,566,937</b>
	Cash and cash equivalents at 1 January	-92,568,118	-76,001,181
20	Cash and cash equivalents at 31 December	-80,774,472	-92,568,118

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Fayrefield Foodtec. Scandinavia A/S for 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act to report large reporting class C entities.

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

#### Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in "Other receivables" and "Other payables", respectively.

Fair value adjustments of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement along with changes in the fair value of the hedged asset or liability.

Fair value adjustments of derivative financial instruments designated as and qualifying for hedging of future assets or liabilities are recognised in other receivables or other payables, respectively, and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects the profit/loss for the year.

#### Income statement

##### Revenue

Income from the sale of goods for resale and finished goods, including cheese and other products, is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

##### Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of non-current assets.

##### Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

##### Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

##### Amortisation and impairment

The item comprises amortisation and impairment of intangible assets.



## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Goodwill	5 years
----------	---------

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Buildings	30 years
Other fixtures and fittings, tools and equipment	3-10 years

Land is not depreciated.

#### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities and associates, declared dividends from other securities and investments, financial expenses relating to finance leases, realised and unrealised capital gains and losses relating to other securities and investments, exchange gains and losses and amortisation of financial assets and liabilities.

#### Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

#### Balance sheet

##### Intangible assets

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period, which is 5 years.

##### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

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



## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

##### Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

##### Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

##### Securities and investments

Securities and investments consisting in listed shares and bonds are measured at fair value (market price) at the balance sheet date. Investments not admitted to trading on an active market are measured at cost.

##### Cash

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

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Equity

###### *Proposed dividends*

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

##### Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

##### Lease liabilities

Lease liabilities are measured at the net present value of the remaining lease payments including any guaranteed residual value based on the interest rate implicit in the lease.

##### Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

##### Cash flow statement

The cash flow statement shows the Company's net cash flows broken down according to operating, investing and financing activities, the year's changes in cash and cash equivalents as well as the cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non cash operating items, changes in working capital and paid corporate income tax.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related expenses as well as raising of loans, repayment of interest bearing debt and payment of dividends to shareholders.

Cash and cash equivalents comprise cash, short term bank loans and short term securities which are readily convertible into cash and which are subject only to insignificant risks of changes in value.



## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Segment information

The allocation of revenue to activities and geographical markets is disclosed where these activities and markets differ significantly in the organisation of sales of goods and services.

##### Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating margin	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$
Gross margin ratio	$\frac{\text{Gross margin} \times 100}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit/loss for the year after tax} \times 100}{\text{Average equity}}$



## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

DKK	2016	2015
<b>2 Segment information</b>		
Cheese	51,009,515	38,295,199
Powder	265,528,688	181,302,004
Export	231,510,610	172,374,269
	<u>548,048,813</u>	<u>391,971,472</u>
<b>Breakdown of revenue by geographical segment:</b>		
Scandinavia	259,755,452	155,258,010
Europe - outside Scandinavia	70,167,117	63,541,331
Markets outside Europe	218,126,244	173,172,131
	<u>548,048,813</u>	<u>391,971,472</u>
<b>3 Staff costs</b>		
Wages/salaries	14,082,166	10,939,249
Pensions	890,218	797,609
Other social security costs	175,060	151,298
Other staff costs	19,667	0
	<u>15,167,111</u>	<u>11,888,156</u>
Average number of full-time employees	<u>24</u>	<u>19</u>
By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.		
<b>4 Financial income</b>		
Other financial income	174,473	23,619
	<u>174,473</u>	<u>23,619</u>
<b>5 Financial expenses</b>		
Other financial expenses	2,775,872	2,195,755
	<u>2,775,872</u>	<u>2,195,755</u>
<b>6 Tax for the year</b>		
Estimated tax charge for the year	2,917,521	1,326,489
Deferred tax adjustments in the year	-67,475	144,887
Tax adjustments, prior years	0	88,354
	<u>2,850,046</u>	<u>1,559,730</u>



## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 7 Property, plant and equipment

DKK	Land and buildings	Other fixtures and fittings, tools and equipment	Total
Cost at 1 January 2016	14,428,718	8,332,790	22,761,508
Additions in the year	2,107,500	4,457,531	6,565,031
Disposals in the year	0	-674,454	-674,454
Cost at 31 December 2016	16,536,218	12,115,867	28,652,085
Impairment losses and depreciation at 1 January 2016	3,075,868	6,036,302	9,112,170
Amortisation/depreciation in the year	399,275	619,603	1,018,878
Reversal of amortisation/depreciation and impairment of disposals	0	-344,920	-344,920
Impairment losses and depreciation at 31 December 2016	3,475,143	6,310,985	9,786,128
Carrying amount at 31 December 2016	13,061,075	5,804,882	18,865,957

#### 8 Share capital

The Company's share capital has remained DKK 5,000,000 over the past 5 years.

#### 9 Treasury shares

	Number	Nominal value DKK	Share of capital	Purchase/ sales sum DKK
Balance at 1 January 2016	0	0	0.00%	
Purchased in the year	1,250	1,250,000	25.00%	9,663,000
Sold in the year	-500	-500,000	-10.00%	3,865,200
Balance at 31 December 2016	750	750,000	15.00%	

#### 10 Long-term liabilities

DKK	Total debt at 31/12 2016	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Mortgage debt	345,153	70,000	275,153	0
Lease liabilities	1,959,371	394,000	1,565,371	0
	2,304,524	464,000	1,840,524	0



## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 11 Deferred tax

Analyses of the deferred tax

DKK	2016	2015
Deferred tax liabilities	830,345	897,820
	<u>830,345</u>	<u>897,820</u>

#### 12 Provisions

The provision for deferred tax primarily relates to timing differences in respect of intangible assets and property, plant and equipment.

#### 13 Contractual obligations and contingencies, etc.

##### Other financial obligations

The Company has liabilities under operating leases for cars totalling DKK 77 thousand, with remaining contract terms of 1 year.

#### 14 Collateral

In security for debt with mortgage credit institution of DKK 345 thousand mortgage on land and properties has been pledged of which the net book value on 31 December 2016 amounts to DKK 13,061 thousand.

In security of engagement with bank the Company has pledged a company charge of nominal DKK 65,000 thousand. The company charge comprise the below listed assets, which net book value on the balance sheet day amounted to:

Inventories	DKK	82,938 thousand
Receivables from sales and services	DKK	89,817 thousand
Operating plant and equipment	DKK	3,489 thousand

Plant and equipment at a book value of DKK 2,315 thousand was financed through finance lease.

In security of engagement with bank the Company has pledged a mortgage deed registered to the mortgagor of DKK 2,200 thousand with security in land register num 7 f Rostrup By, Rostrup, Rostrup Byvej 3, 9510 Arden.

On 31 December 2016 the net book value of the property amounted to DKK 13,061 thousand.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 15 Related parties

Fayrefield Foodtec. Scandinavia A/S' related parties comprise the following:

##### Parties exercising control

Related party	Domicile	Basis for control
Leslie John Wright		Member of the supervisory board
Jens Bruun Haugstrup		Member of the supervisory board
Peter Nielsen		Board member and managing director
Fayrefield Foods Ltd., UK		Shareholder
Nielsen & Steffensen Invest ApS		Shareholder
Fayrefield Foodtec Scandinavia A/S		Shareholder

##### Group enterprise transactions not carried through on normal market terms

There are no group enterprise transactions that have not been carried through on normal market terms.

##### Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the votes or minimum 5% of the share capital:

Name	Domicile
Fayrefield Foods Ltd.	Englesea House, Barthomley Road, Crewe, Chesire CW1 5UF, UK
Nielsen & Steffensen Invest ApS	Brejning Strand 9, 1. 7080 Børkop
Fayrefield Foodtec Scandinavia A/S	Lysholt Allé 6, 1. sal, 7100 Vejle



Financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK	2016	2015
<b>16 Fee to the auditors appointed by the Company in general meeting</b>		
Total fees to EY	64,000	51,000
Statutory audit	57,000	42,000
Other assistance	7,000	9,000
	<u>64,000</u>	<u>51,000</u>
<b>17 Appropriation of profit/loss</b>		
Recommended appropriation of profit		
Retained earnings	10,043,540	4,909,290
	<u>10,043,540</u>	<u>4,909,290</u>
<b>18 Adjustments</b>		
Amortisation/depreciation and impairment losses	1,018,878	799,612
Financial income	-174,473	-23,619
Financial expenses	2,775,872	2,195,755
Tax for the year	2,917,521	1,414,843
Deferred tax	-67,475	144,887
	<u>6,470,323</u>	<u>4,531,478</u>
<b>19 Changes in working capital</b>		
Change in inventories	-12,410,988	-25,835,534
Change in receivables	-4,393,596	18,365,492
Change in trade and other payables	26,858,450	-4,150,556
Other changes in working capital	-140,160	0
	<u>9,913,706</u>	<u>-11,620,598</u>
<b>20 Cash and cash equivalents at year-end</b>		
Cash according to the balance sheet	1,892,610	76,774
Short-term debt to banks	-82,667,082	-92,644,892
	<u>-80,774,472</u>	<u>-92,568,118</u>