Fayrefield Foods A/S

Lysholt Allé 3, 2., DK-7100 Vejle

CVR no. 20 28 72 92

Annual report 2017

Approved at the Company's annual general meeting on 15 May 2018

Chairman:

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Leslie John Wright

Building a better working world

Contents

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 Foods A/S for the financial year 1 January - 31 December 2017.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Company at 31 December 2017 and of the results of the Group's and the Company's operations and of the consolidated cash flows for the financial year 1 January - 31 December 2017.

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

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

Vejle, 25 April 2018
Executive Board:

Peter Nielsen	Jens Bruun Haugstrup

Board of Directors:

Leslie John Wright Chairman	Peter Nielsen	Jens Bruun Haugstrup
David Neil McFarlane	Keld Larsen	

Independent auditor's report

To the shareholders of Fayrefield Foods A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Fayrefield Foods A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2017, and of the results of the Group's and Parent Company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 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 Company financial statements" (herinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group 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.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements 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 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 Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent 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.
- 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's review

Management is responsible for the Management's review.

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

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

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

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

Horsens, 25 April 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Frank Therkildsen
State Authorised Public Accountant
MNE no.: mne32224

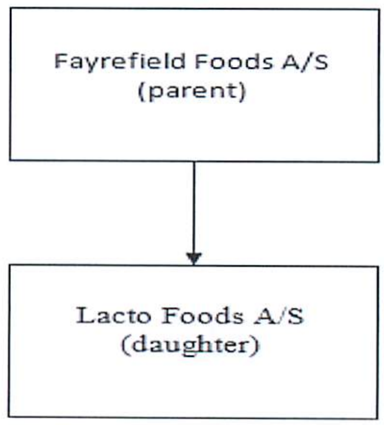
Management's review

Company details

Name	Fayrefield Foods A/S
Address, Postal code, City	Lysholt Allé 3, 2., DK-7100 Vejle
CVR no.	20 28 72 92
Established	1 August 1997
Registered office	Vejle
Financial year	1 January - 31 December
Website	www.fayrefield.dk
Telephone	+45 75 83 70 66
Board of Directors	Leslie John Wright, Chairman Peter Nielsen Jens Bruun Haugstrup David Neil McFarlane Keld Larsen
Executive Board	Peter Nielsen Jens Bruun Haugstrup
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Holmboes Allé 12, 8700 Horsens, Denmark
Bankers	Sydbank A/S Kirketorvet 4, DK-7100Vejle

Management's review

Group chart



Financial highlights for the Group

DKK'000	2017	2016	2015	2014	2013
Key figures					
Revenue	1,060,403	548,049	391,971	581,329	546,934
Gross margin	48,922	31,932	21,329	30,465	32,642
Profit before interest, tax and amortisation of goodwill (EBITA)	25,574	15,497	8,641	16,877	18,629
Profit/loss for the year	**18,170**	**10,044**	**4,909**	**10,482**	**11,864**
Total assets	312,774	194,999	171,051	161,061	136,909
Equity	**58,478**	**34,301**	**30,164**	**29,245**	**26,109**
Cash flows from operating activities	-54,497	21,980	-6,186	-18,474	-6,816
Net cash flows from investing activities	-5,753	-3,780	-5,079	-1,200	-1,034
Cash flows from financing activities	4,736	-6,406	-5,301	-5,989	-3,833
Financial ratios					
Operating margin	2.4%	2.8%	2.2%	2.9 %	3.4 %
Gross margin	4.6%	5.8%	5.4%	5.2%	6.0%
Solvency ratio	18.7%	17.6%	17.6%	18.2%	19.1%
Return on equity	39.2%	31.2%	16.5%	37.9%	53.6%
Average number of employees	**34**	**24**	**19**	**19**	**17**

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

The financial highlights for 2013 - 2016 only include financial highlights for Fayrefield Foods A/S.

Management's review

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 2017, the group's revenue amounted to DKK 1,060,403 thousand against DKK 548,049 thousand last year. The income statement for 2017 shows a profit of DKK 18,170 thousand against a profit of DKK 10,044 thousand last year, and the group's balance sheet at 31 December 2017 shows equity of DKK 58,478 thousand.

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

In 2017, Fayrefield Foods A/S took over the entire share capital in Lacto Foods A/S.

Non-financial matters

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.

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 86 million to DKK xx 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.

Management's review

The Company is climately conscious and constantly strives at reducing its climately 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 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 female 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.
For 2017, suitable female candidates have not been identified.
The Board of Directors in the Company has set a target figure of 15% for the underrepresented gender on 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 up 0% of the members of the Board of Directors elected at the general meeting.
The Board of Directors currently consists of 5 members.

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

Events after the balance sheet date

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

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.

Cash generated from operations in 2018 is expected to be positive as a result of the expected profit growth. However, total cash generated from operations is expected to be neutral, since significant investments in new productive capacity are planned to be made in 2018.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Income statement

		Group		Parent company	
Note	DKK'000	2017	2016	2017	2016
2	**Revenue**	1,060,403	548,049	797,280	548,049
	Raw materials and consumables	-1,004,782	-512,080	-753,718	-512,080
	Other external expenses	-6,699	-4,037	-4,382	-4,037
	Gross margin	48,922	31,932	39,180	31,932
3	Staff costs	-21,514	-15,167	-20,113	-15,167
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-1,809	-1,019	-1,477	-1,019
	Other operating expenses	-25	-249	-25	-249
	Profit before net financials	25,574	15,497	17,565	15,497
	Income from investments in group enterprises	0	0	5,638	0
	Financial income	2,679	174	2,679	174
	Financial expenses	-4,879	-2,776	-4,148	-2,776
	Profit before tax	23,374	12,895	21,734	12,895
4	Tax for the year	-5,204	-2,851	-3,564	-2,851
	Profit for the year	18,170	10,044	18,170	10,044

Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	Group 2017	Group 2016	Parent company 2017	Parent company 2016
	ASSETS				
	Fixed assets				
5	**Intangible assets**				
	Goodwill	1,350	0	0	0
		1,350	0	0	0
6	**Property, plant and equipment**				
	Land and buildings	14,953	13,061	14,953	13,061
	Fixtures and fittings, other plant and equipment	7,109	5,805	7,109	5,805
		22,062	18,866	22,062	18,866
7	**Investments**				
	Investments in group enterprises	0	0	26,313	0
	Other receivables	218	218	218	218
		218	218	26,531	218
	Total fixed assets	23,630	19,084	48,593	19,084
	Non-fixed assets				
	Inventories				
	Raw materials and consumables	117,362	82,939	117,362	82,939
	Finished goods and goods for resale	29,932	0	0	0
		147,294	82,939	117,362	82,939
	Receivables				
	Trade receivables	131,032	89,818	126,196	89,818
	Receivables from group enterprises	0	815	2,690	815
	Receivables from associates	6,535	0	546	0
	Other receivables	3,217	260	1,021	260
	Prepayments	1,007	146	435	146
		141,791	91,039	130,888	91,039
	Securities and investments	50	44	50	44
	Cash	9	1,893	0	1,893
	Total non-fixed assets	289,144	175,915	248,300	175,915
	TOTAL ASSETS	312,774	194,999	296,893	194,999

Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	Group 2017	Group 2016	Parent company 2017	Parent company 2016
	EQUITY AND LIABILITIES				
	Equity				
8	Share capital	5,000	5,000	5,000	5,000
	Retained earnings	53,478	29,301	53,478	29,301
	Total equity	58,478	34,301	58,478	34,301
	Provisions				
10	Deferred tax	1,134	831	1,035	831
	Total provisions	1,134	831	1,035	831
	Liabilities other than provisions				
9	**Non-current liabilities other than provisions**				
	Mortgage debt	207	275	207	275
	Lease liabilities	1,166	1,565	1,166	1,565
		1,373	1,840	1,373	1,840
	Current liabilities other than provisions				
9	Short-term part of long-term liabilities other than provisions	469	464	469	464
	Bank debt	136,297	82,667	122,898	82,667
	Trade payables	104,381	63,493	100,252	63,493
	Payables to group enterprises	0	2,141	4,447	2,141
	Payables to associates	2,498	0	2,498	0
	Corporation tax payable	3,771	1,348	2,121	1,348
	Other payables	4,062	5,595	3,322	5,595
	Deferred income	311	2,319	0	2,319
		251,789	158,027	236,007	158,027
	Total liabilities other than provisions	253,162	159,867	237,380	159,867
	TOTAL EQUITY AND LIABILITIES	312,774	194,999	296,893	194,999

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

Consolidated financial statements and parent company financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Total
		Group		
	Equity at 1 January 2016	5,000	25,164	30,164
	Transfer through appropriation of profit	0	10,044	10,044
	Adjustment of hedging instruments at fair value	0	-109	-109
	Purchase of treasury shares	0	-9,663	-9,663
	Sale of treasury shares	0	3,865	3,865
	Equity at 1 January 2017	5,000	29,301	34,301
	Transfer through appropriation of profit	0	18,170	18,170
	Adjustment of hedging instruments at fair value	0	808	808
	Sale of treasury shares	0	5,798	5,798
	Proposed extraordinary dividend recognised under equity	0	-599	-599
	Equity at 31 December 2017	5,000	53,478	58,478

Note	DKK'000	Share capital	Retained earnings	Total
		Parent company		
	Equity at 1 January 2016	5,000	25,164	30,164
15	Transfer, see "Appropriation of profit"	0	10,044	10,044
	Adjustment of hedging instruments at fair value	0	-109	-109
	Purchase of treasury shares	0	-9,663	-9,663
	Sale of treasury shares	0	3,865	3,865
	Equity at 1 January 2017	5,000	29,301	34,301
15	Transfer, see "Appropriation of profit"	0	18,170	18,170
	Adjustment of hedging instruments at fair value	0	633	633
	Profit/loss in subsidiaries	0	175	175
	Sale of treasury shares	0	5,798	5,798
	Proposed extraordinary dividend recognised under equity	0	-599	-599
	Equity at 31 December 2017	5,000	53,478	58,478

Consolidated financial statements and parent company financial statements 1 January - 31 December

Cash flow statement

Note	DKK'000	Group 2017	Group 2016	Parent company 2017	Parent company 2016
	Profit for the year	18,170	10,044	18,170	10,044
16	Adjustments	9,213	6,472	872	6,472
	Cash generated from operations (operating activities)	27,383	16,516	19,042	16,516
17	Changes in working capital	-76,659	9,913	-36,491	9,913
	Cash generated from operations (operating activities)	-49,276	26,429	-17,449	26,429
	Interest received, etc.	2,679	174	2,679	174
	Interest paid, etc.	-4,879	-2,776	-4,148	-2,776
		-3,021	-1,785	-2,762	-1,785
	Other cash flows from operating activities	0	-62	19	-62
	Cash flows from operating activities	-54,497	21,980	-21,661	21,980
	Additions of property, plant and equipment	-4,834	-6,565	-4,834	-6,565
	Sales of property, plant and equipment	581	282	135	282
	Purchase of financial assets	-1,500	0	-20,500	0
	Loans	0	2,503	0	2,503
	Cash flows to investing activities	-5,753	-3,780	-25,199	-3,780
	Dividends paid	-599	0	-599	0
	Repayments, long-term liabilities	-463	-608	-463	-608
	Acquisition of treasury shares	0	-9,663	0	-9,663
	Sale of treasury shares	5,798	3,865	5,798	3,865
	Cash flows from financing activities	4,736	-6,406	4,736	-6,406
	Net cash flow	-55,514	11,794	-42,124	11,794
	Cash and cash equivalents at 1 January	-80,774	-92,568	-80,774	-92,568
18	**Cash and cash equivalents at 31 December**	-136,288	-80,774	-122,898	-80,774

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Fayrefield Foods A/S for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

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

Change in the Company's activities, including effect of intra-group business combinations

The Company has carried out an intra-group business combination applying the book value method, which does not require restatement of comparative figures. Consequently, comparative figures for previous financial years have not been restated.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Consolidated financial statements

Control

The consolidated financial statements comprise the Parent Company and subsidiaries controlled by the Parent Company.

Control means a parent company's power to direct a subsidiary's financial and operating policy decisions. Besides the above power, the parent company should also be able to yield a return from its investment.

In assessing if the parent company controls an entity, de facto control is taken into consideration as well.

The existence of potential voting rights which may currently be exercised or converted into additional voting rights is considered when assessing if an entity can become empowered to direct another entity's financial and operating decisions.

Foreign currency translation

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

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

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.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

Leases

On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to the ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the present value of the future lease payments. In calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently accounted for in the same way as the Company's other assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

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.

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 fixed assets.

Raw materials and consumables, etc.

Raw materials and consumables include expenses relating to raw materials and consumables used in generating the year's revenue.

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/depreciation and impairment

The item comprises amortisation/depreciation and impairment of intangible assets and property, plant and equipment.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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:

Land and buildings	30 years
Fixtures and fittings, other plant and equipment	3-10 years

Income from investments in subsidiaries

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries.

Shares of profit/loss after tax in associates are recognised in the consolidated income statement after elimination of a proportionate share of unrealised intra-group gains/losses.

The item includes dividend received from subsidiaries.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

The parent company is covered by the Danish rules on mandatory joint taxation of the Group's Danish subsidiaries. Subsidiaries are included in the joint taxation arrangement from the date at which they are included in the consolidated financial statements and up to the date when they are no longer consolidated.

The parent company acts as management company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

On payment of joint taxation contributions, the Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

Tax for the year, which comprises the current income tax charge, joint taxation contributions and deferred tax adjustments, including adjustments arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly 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 10 years. The goodwill is related to the acquisition of Lacto Foods A/S. Taking into consideration Lacto Foods A/S' market position, Management has assessed that goodwill should be amortised over 10 years.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

Investments in subsidiaries

Equity investments in subsidiaries and associates are measured according to the equity method. Equity investments in joint ventures are also measured according to the equity method in the consolidated financial statements.

On initial recognition, equity investments in subsidiaries are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Goodwill is amortised on a straight line basis of 10 years.

Dividend received is deduced from the carrying amount.

Equity investments in subsidiaries measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

Other securities and investments

Securities which the Company intends to hold to maturity are measured at amortised cost, using the effective interest rate method at the date of acquisition. Value adjustments are recognised in the income statement under "Net financials".

Securities and investments consisting of 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.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

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.

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.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

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 ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios.

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

Operating margin $\quad \dfrac{\text{Operating profit x 100}}{\text{Revenue}}$

Gross margin ratio $\quad \dfrac{\text{Gross margin x 100}}{\text{Revenue}}$

Equity ratio $\quad \dfrac{\text{Equity, year-end x 100}}{\text{Total equity and liabilities, year-end}}$

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Return on equity $$\frac{\text{Profit/loss for the year after tax x 100}}{\text{Average equity}}$$

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	Group 2017	Group 2016	Parent company 2017	Parent company 2016
2 Segment information				
Cheese	234,745	51,010	106,815	51,010
Powder	304,366	265,529	304,366	265,529
Export	521,292	231,510	386,099	231,510
	1,060,403	548,049	797,280	548,049
Breakdown of revenue by geographical segment:				
Scandinavia	283,820	259,755	283,820	259,755
Europe - outside Scandinavia	408,073	70,167	144,801	70,167
Other	368,510	218,127	368,659	218,127
	1,060,403	548,049	797,280	548,049

DKK'000	Group 2017	Group 2016	Parent company 2017	Parent company 2016
3 Staff costs				
Wages/salaries	19,616	14,082	18,562	14,082
Pensions	1,427	890	1,168	890
Other social security costs	229	175	210	175
Other staff costs	242	20	173	20
	21,514	15,167	20,113	15,167

	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Average number of full-time employees	34	24	30	24

Group

Total remuneration to group Management : DKK 5,193 thousand.

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed for 2016.

Parent company

Total remuneration to Management: DKK 5,193.

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed for 2016.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

		Group		Parent company	
	DKK'000	2017	2016	2017	2016
4	**Tax for the year**				
	Estimated tax charge for the year	4,960	2,918	3,359	2,918
	Deferred tax adjustments in the year	244	-67	205	-67
		5,204	2,851	3,564	2,851

5 **Intangible assets**

DKK'000	Group Goodwill
Cost at 1 January 2017	0
Additions through mergers and business combinations	1,500
Cost at 31 December 2017	1,500
Impairment losses and amortisation at 1 January 2017	0
Amortisation for the year	150
Impairment losses and amortisation at 31 December 2017	150
Carrying amount at 31 December 2017	1,350

6 **Property, plant and equipment**

	Group		
DKK'000	Land and buildings	Fixtures and fittings, other plant and equipment	Total
Cost at 1 January 2017	16,536	12,116	28,652
Additions	2,378	4,204	6,582
Disposals	0	-1,157	-1,157
Cost at 31 December 2017	18,914	15,163	34,077
Impairment losses and depreciation at 1 January 2017	3,475	6,311	9,786
Depreciation	486	2,293	2,779
Reversal of accumulated depreciation and impairment of assets disposed	0	-550	-550
Impairment losses and depreciation at 31 December 2017	3,961	8,054	12,015
Carrying amount at 31 December 2017	14,953	7,109	22,062

Note 12 provides more details on security for loans, etc. as regards property, plant and equipment.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

	Parent company		
DKK'000	Land and buildings	Fixtures and fittings, other plant and equipment	Total
Cost at 1 January 2017	16,536	12,116	28,652
Additions	2,378	2,456	4,834
Disposals	0	-285	-285
Cost at 31 December 2017	18,914	14,287	33,201
Value adjustments at 1 January 2017	0	0	0
Value adjustments at 31 December 2017	0	0	0
Impairment losses and depreciation at 1 January 2017	3,475	6,311	9,786
Depreciation	486	991	1,477
Reversal of accumulated depreciation and impairment of assets disposed	0	-124	-124
Impairment losses and depreciation at 31 December 2017	3,961	7,178	11,139
Carrying amount at 31 December 2017	14,953	7,109	22,062

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

7 Investments

DKK'000	Group Other receivables
Cost at 1 January 2017	218
Cost at 31 December 2017	218
Carrying amount at 31 December 2017	**218**

	Parent company		
DKK'000	Investments in group enterprises	Other receivables	Total
Cost at 1 January 2017	0	218	218
Additions	20,500	0	20,500
Cost at 31 December 2017	20,500	218	20,718
Profit/loss for the year	5,638	0	5,638
Changes in equity	175	0	175
Value adjustments at 31 December 2017	5,813	0	5,813
Carrying amount at 31 December 2017	26,313	218	26,531

Group goodwill totals DKK 1,350 thousand.

Parent company

Name	Domicile	Interest	Equity DKK'000	Profit/loss DKK'000
Subsidiaries				
Lacto Foods A/S	Vejle	100.00%	24,963	5,788

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

8 Share capital

Analysis of changes in the share capital over the past 5 years:

DKK'000	2017	2016	2015	2014	2013
Opening balance	5,000	5,000	5,000	5,000	5,000
	5,000	5,000	5,000	5,000	5,000

9 Non-current liabilities other than provisions

	Group			
DKK'000	Total debt at 31/12 2017	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Mortgage debt	277	70	207	0
Lease liabilities	1,565	399	1,166	0
	1,842	469	1,373	0

	Parent company			
DKK'000	Total debt at 31/12 2017	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Mortgage debt	277	70	207	0
Lease liabilities	1,565	399	1,166	0
	1,842	469	1,373	0

	Group		Parent company	
DKK'000	2017	2016	2017	2016
10 Deferred tax				
Other deferred tax	1,134	831	1,035	831
Deferred tax at 31 December	1,134	831	1,035	831

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

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

11 **Contractual obligations and contingencies, etc.**

Other contingent liabilities

DKK'000	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Other contingent liabilities	11,087	0	0	0
	11,087	0	0	0

Parent company

As management company, the Company is jointly taxed with other Danish group entities. Together with other jointly taxed group entities, the Company has jointly and several liability for the payment of income taxes in the income year 2017 and withholding taxes falling due for payment on or after 1 January 2017 in the group of jointly taxed entities.

12 **Collateral**

Group

As security for the group's debt to mortgage bankcredit institutions, the group has provided security or other collateral in its assets for a total amount of t.DKK 100,000. The total carrying amount of these assets is t.DKK 283,075. Breakdown of the security/collateral and the carrying amount:

Trade receivables at a carrying amount of t.DKK 131,032 at 31 December 2017, inventory at a carrying amount of t.DKK 146,998 and operating equipment at a carrying amount of t.DKK 5,045 at 31 December 2017 have been put up as security for debt to mortgage credit institutions, totalling t.DKK 136,297.

A company charge on the Company's assets at a carrying amount of t.DKK 100,000 at 31 December 2017 has been put up as security for debt to mortgage credit institutions, totalling t.DKK 136,297.

Other:

Land and buildings at a carrying amount of t.DKK 14,952 at 31 December 2017 have been put up as security for debt to mortgage credit institutions, totalling t.DKK 277.

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

Parent company

As security for the group's debt to mortgage bankcredit institutions, the group has provided security or other collateral in its assets for a total amount of t.DKK 100,000. The total carrying amount of these assets is t.DKK 248,603. Breakdown of the security/collateral and the carrying amount:

Trade receivables at a carrying amount of t.DKK 126,196 at 31 December 2017, inventory at a carrying amount of t.DKK 117,362 and operating equipment at a carrying amount of t.DKK 5,045 at 31 December 2017 have been put up as security for debt to mortgage credit institutions, totalling t.DKK 122,898.

A company charge on the Company's assets at a carrying amount of t.DKK 100,000 at 31 December 2017 has been put up as security for debt to mortgage credit institutions, totalling t.DKK 122,898.

Other:

Land and buildings at a carrying amount of t.DKK 14,952 at 31 December 2017 have been put up as security for debt to mortgage credit institutions, totalling t.DKK 277.

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Notes to the financial statements

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

13 Related parties

Group

Fayrefield Foods A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Fayrefield Foods Ltd., UK		Shareholder
Nielsen & Steffensen Invest ApS		Shareholder
Jens Haugstrup Holding ApS		Shareholder
Leslie John Wright		Member of the supervisory board
Jens Bruun Haugstrup		Board member and managing director
Peter Nielsen		Board member and managing director
David Neil McFarlane		Member of the supervisory board
Keld Larsen		Member of the supervisory board
Lacto Foods A/S		Subsidairy

Related party transactions

The Company solely discloses related party transactions that have not been carried out on an arm's length basis, cf. section 98c(7) of the Danish Financial Statements Act.

All transactions have been carried out on an arm's length basis.

		Group	
	DKK'000	2017	2016
14	**Fee to the auditors appointed by the Company in general meeting**		
	Total fees to EY	153	64
	Statutory audit	124	64
	Other assistance	29	0
		153	64

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	Parent company 2017	Parent company 2016
15 **Appropriation of profit**		
Recommended appropriation of profit		
Extraordinary dividend distributed in the year	599	0
Retained earnings	17,571	10,044
	18,170	10,044

DKK'000	Group 2017	Group 2016	Parent company 2017	Parent company 2016
16 **Adjustments**				
Amortisation/depreciation and impairment losses	1,659	1,019	1,477	1,019
Income from investments in group entities	150	0	-5,638	0
Financial income	-2,679	-174	-2,679	-174
Financial expenses	4,879	2,776	4,148	2,776
Tax for the year	4,900	2,918	3,359	2,918
Deferred tax	304	-67	205	-67
	9,213	6,472	872	6,472
17 **Changes in working capital**				
Change in inventories	-64,355	-12,411	-34,423	-12,411
Change in receivables	-50,752	-4,394	-39,849	-4,394
Change in trade and other payables	37,705	26,858	36,970	26,858
Other changes in working capital	743	-140	811	-140
	-76,659	9,913	-36,491	9,913
18 **Cash and cash equivalents at year-end**				
Cash according to the balance sheet	9	1,893	0	1,893
Short-term debt to banks	-136,297	-82,667	-122,898	-82,667
	-136,288	-80,774	-122,898	-80,774