

# Fayrefield Foods A/S

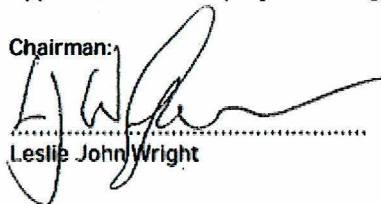
Lysholt Allé 3, 2., DK-7100 Vejle

CVR no. 20 28 72 92

## Annual report 2019

Approved at the Company's annual general meeting on 7 April 2020

Chairman:



Leslie John Wright





## Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	6
Consolidated financial statements and parent company financial statements 1 January - 31 December	12
Income statement	12
Balance sheet	13
Statement of changes in equity	15
Cash flow statement	17
Notes to the financial statements	18

### 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 2019.

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 2019 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 2019.

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.

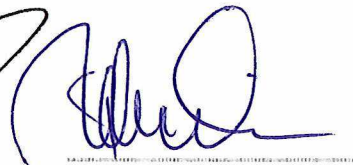
We recommend that the annual report be approved at the annual general meeting.

Vejle, 3 April 2020

Executive Board:

  
Peter Nielsen  
Jens Bruun Haugstrup

Board of Directors:

  
Leslie John Wright  
Chairman  
Jens Bruun Haugstrup  
Peter Nielsen  
Susanne Hougaard  
Steffensen  
Frank Therkildsen

## 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 2019, 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 2019, 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 2019 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" (hereinafter 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, 3 April 2020

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Morten Klarskov Larsen

State Authorised Public Accountant

mne32736



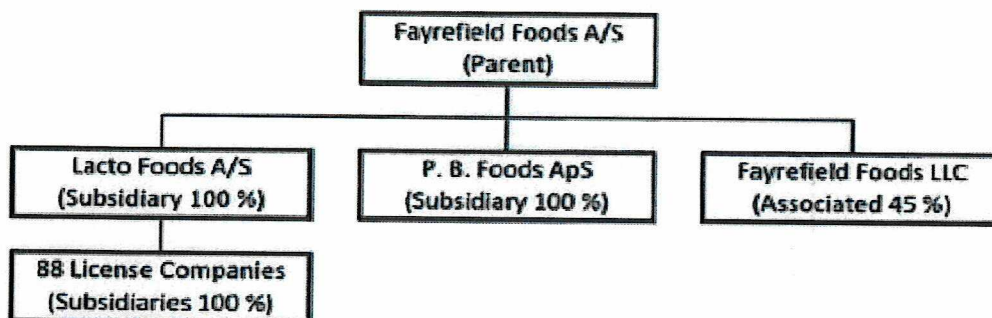
## Management's review

### 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	<a href="http://www.fayrefield.dk">www.fayrefield.dk</a>
Telephone	+45 75 83 70 66
Board of Directors	Leslie John Wright, Chairman Jens Bruun Haugstrup Peter Nielsen Susanne Hougaard Steffensen Frank Therkildsen
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	2019	2018	2017	2016	2015
<b>Key figures</b>					
Revenue	1,241,166	1,125,957	1,060,403	548,049	391,971
Gross profit	73,255	57,209	48,922	31,932	21,329
Profit before interest and tax (EBITA)	30,797	25,130	25,575	22,297	0
Profit for the year	15,242	11,827	18,170	10,044	4,909
<b>Total assets</b>					
Equity	425,218	387,103	312,773	194,999	171,051
<b>Cash flows from operating activities</b>					
Net cash flows from investing activities	-22,132	-13,203	-54,497	21,980	-6,186
Investment in property, plant and equipment	-5,386	-39,148	-5,753	-3,780	-5,079
Cash flows from financing activities	-5,830	-7,564	-4,834	-6,565	-5,079
	27,241	52,604	58,366	-6,406	-5,301
<b>Financial ratios</b>					
Operating margin	2.5%	2.2%	2.4%	4.1%	2.9%
Gross margin	5.9%	5.1%	4.6%	5.8%	5.4%
Equity ratio	12.0%	15.7%	18.7%	17.6%	17.6%
Return on equity	27.2%	19.8%	39.2%	31.2%	16.5%
Equity ratio including subordinated loans	17.5%	15.7%	18.7%	17.6%	17.6%
<b>Average number of employees</b>					
	54	49	34	24	19

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

The financial highlights for 2015 - 2016 only include financial highlights for parent company.



## Management's review

### Business review

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

### Financial review

The income statement for 2019 shows a profit of DKK 15,242 thousand against a profit of DKK 11,827 thousand last year, and the group's balance sheet at 31 December 2019 shows equity of DKK 51,049 thousand.

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

In 2019 there have been no change in the group companies.

During the year the company has paid out an extraordinary dividend as part of a planned change in shareholders. To ensure continuance growth in equity and solidity the majority of the paid out dividend has been granted as subordinated loans to the company.

The outlook for 2019 expected that the level of activities and income was at same level as 2018. The final figures for 2019 showed that the activity ended 10% above 2018 and the profit before tax was about 30% higher.

On the other side we expected the cash generated should be neutral. Because of a strong Q4 and to lower our risk in case of a hard Brexit we had to increase our stocks at year end. The cash generated from operation activities shows 22 mio. DKK in negative generation. The increase in stocks was 45 mio. DKK

### Non-financial matters

#### Special risks

#### General risks

The most significant operating risks facing the group 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 group is exposed to changes in exchange rates and interest rates. It is the group's policy not to engage in active speculation in financial risks. Thus, the group's financial management activities are aimed only at managing risks already assumed.

#### Currency risks

The group'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 group'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 group's interest bearing debt, made up as mortgage debt and bank debt net of the group's portfolio of negotiable securities and cash balances, rose from DKK 198 million to DKK 250 million in the year. The is the group'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.

## Management's review

### Credit risks

The group'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 group is not exposed to any significant risks relating to any particular customer or business partner. The group'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 group is environmentally conscious and constantly strives at reducing its environmental impact from its operations. The group has no formal policy for this. Although there is no formal policy we have agreed the following guidelines. Since, it is guidelines no actions to follow-up are tracked or compared.

### Research and development activities

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

### Statutory CSR report

#### Environment and Climate impact

The process that has been started up 2019 will continue in 2020. Our focus is on how our core competencies can be used to make a difference for others who also work sustainably. Our ambition for our contribution to the environment and climate is to minimize resource use and optimise sustainable workflows.

In terms of negative impact on the environment and climate, we do not have significant major direct risks, as our production represents only a minor part of the total activity. However, we are aware of the lower risk of e.g. resource consumption, and therefore efforts are also made to deal with this, see below.

#### Less consumption

With the introduction of various digital alternatives and specific settings on our printers, we strive for less paper consumption. The effort to reduce paper consumption in 2019 has helped us to maintain the expected low consumption of paper. We are also working on energy optimization by, for example, minimizing resource use by continually replacing electronics, light bulbs, etc. to more environmentally correct alternatives.

As a result of the increased activity, the group has not realised a measurable effect of energy improvements.

## Management's review

### Diversity policy

We are actively working to ensure that employee composition reflects the workforce in Denmark. The main areas of action to ensure diversity are recruitment and career development. Everyone, regardless of age, gender, ethnicity, nationality and sexual, political or religious orientation, is encouraged to apply for vacancies with us. We focus on inclusiveness, tolerance, respect for diversity, and do not tolerate discrimination. We want a workplace with high wellbeing and work to promote a good working environment.

There has been an employee meeting in August with a focus on well-being, etc. Follow-up to this will take place during 2020.

### Bullying and harassment policy

As part of our focus on high well-being and promoting a good working environment at work, our employees can expect to be treated properly and respectfully. Harassment has been an important focus area for a long time in terms of wellbeing and working conditions.

### Stress policy

Our stress policy must help to ensure knowledge of the concept of stress among all employees. We want to have dialogue and openness about stress so that the danger signals are detected and they are responded to before stress develops into a disease. In order to evaluate the impact of stress policy on an ongoing basis, it is important that stress is part of the discussion of the psychological working environment in connection with employee interviews.

### Human rights

A fundamental element of our social responsibility is the commitment to living the principles of human rights.

Our ambition is to support and respect the protection of internationally proclaimed human rights and to ensure that we do not contribute to the violation of human rights, including the right to privacy. Our ambition for our contribution to society is to take social responsibility through education and knowledge sharing and use core competencies to make a difference.

With our geographical location and business model, we do not consider that there are any particular risks regarding human rights, in addition to the protection of the circumstances of our own employees as described above and the right to privacy, which is addressed by our GDPR policy.

In 2018, a GDPR procedure was designed. No breaches of the group's GDPR policies were observed during the year. In 2019, all new employees were introduced and trained in the group's GDPR procedure.

### Anti-corruption and bribery

Our Code of ethics expresses our expectations of our and our employees' ethical behavior and establishes the framework for our dialogue with business relations and other stakeholders. The aim is to ensure the highest possible integrity. The group is aware of its exposure to corruption and bribery as some of the group's clients and partners operates in areas with a risk of corruption and bribery. As a consequence, we have a zero-tolerance policy against bribery and corruption, and we conduct business honestly and ethically. Our clients and partners must always be able to rely on us to act fairly and ethically. Ethical conduct is essential to our success.

All new employees in 2019 were introduced and trained in the group's anti-corruption policies.

No breaches of the group's anti-corruption policy were observed during the year.

### Account of the gender composition of Management

The group is owner managed and therefore the Board of Directors is composed of owner representatives. The Board of Directors in the Company has set a target figure of 15% for the underrepresented gender on the Board of Directors. For the time being, the underrepresented gender makes up 20% of the members of the Board of Directors elected at the general meeting.

The Board of Directors currently consists of 5 members of mixed gender.

The group policies for increasing the level of the underrepresented gender in managerial position is to encourage people with the right skills to apply for unfilled managerial position. There have been no vacant managerial positions during 2019.



## Management's review

### 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

The corona virus pandemic is impacting the markets we are operating in. The turnover in 2020 will probably be affected negatively by 5 to 10% in 2020 compared to 2019 and profits will be impacted accordingly. However, we expect a positive cash flow from our operations partly from the profits generated partly from a lower working capital requirement.

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

Income statement

Note	DKK'000	Group		Parent company	
		2019	2018	2019	2018
2	Revenue	1,241,166	1,125,957	1,171,910	940,362
	Raw materials and consumables	-1,156,317	-1,059,505	-1,095,191	-890,514
	Other external expenses	-11,594	-9,243	-8,390	-6,889
	Gross profit	73,255	57,209	68,329	42,959
3	Staff costs	-38,214	-28,056	-31,076	-22,176
	Amortisation/ depreciation and impairment of intangible assets and property, plant and equipment	-4,194	-4,023	-1,673	-1,780
	Other operating expenses	-50	0	-50	0
	Profit before net financials	30,797	25,130	35,530	19,003
	Income from investments in group enterprises	0	0	-4,603	3,947
	Income from investments in associates	479	44	479	44
	Other financial income from group enterprises	11	0	11	0
	Financial income	1,799	46	956	34
	Financial expenses	-12,994	-9,615	-11,504	-8,926
	Profit before tax	20,092	15,605	20,869	14,102
4	Tax for the year	-4,850	-3,778	-5,627	-2,275
	Profit for the year	15,242	11,827	15,242	11,827

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

Balance sheet

Note	DKK'000	Group		Parent company	
		2019	2018	2019	2018
		<b>ASSETS</b>			
		Fixed assets			
5	Intangible assets				
	Goodwill	10,785	12,152	0	0
		<u>10,785</u>	<u>12,152</u>	<u>0</u>	<u>0</u>
6	Property, plant and equipment				
	Land and buildings	37,176	31,208	14,526	14,919
	Fixtures and fittings, other plant and equipment	9,915	8,572	7,168	7,439
	Property, plant and equipment under construction	0	4,988	0	0
		<u>47,091</u>	<u>44,768</u>	<u>21,694</u>	<u>22,358</u>
7	Investments				
	Investments in group enterprises	0	0	46,695	58,299
	Investments in associates	2,026	1,511	2,026	1,511
	Other receivables	362	261	362	261
		<u>2,388</u>	<u>1,772</u>	<u>49,083</u>	<u>60,071</u>
	Total fixed assets	<u>60,264</u>	<u>58,692</u>	<u>70,777</u>	<u>82,429</u>
	Non-fixed assets				
	Inventories				
	Raw materials and consumables	158,034	109,350	158,034	109,350
	Finished goods and goods for resale	24,654	31,031	0	0
	Prepayments for goods	8,589	5,480	2,071	5,480
		<u>191,277</u>	<u>145,861</u>	<u>160,105</u>	<u>114,830</u>
	Receivables				
	Trade receivables	159,560	178,606	154,465	164,361
	Receivables from group enterprises	0	0	63	0
	Receivables from associates	11,035	631	11,035	631
	Other receivables	2,450	2,777	680	2,706
	Prepayments	597	224	440	7
		<u>173,642</u>	<u>182,238</u>	<u>166,683</u>	<u>167,705</u>
	Securities and investments	28	31	28	31
	Cash	7	281	7	6
	Total non-fixed assets	<u>364,954</u>	<u>328,411</u>	<u>326,823</u>	<u>282,572</u>
	<b>TOTAL ASSETS</b>	<u><b>425,218</b></u>	<u><b>387,103</b></u>	<u><b>397,600</b></u>	<u><b>365,001</b></u>

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

Balance sheet

Note	DKK'000	Group		Parent company	
		2019	2018	2019	2018
		<b>EQUITY AND LIABILITIES</b>			
		<b>Equity</b>			
8	Share capital	5,000	5,000	5,000	5,000
	Retained earnings	45,000	55,914	45,000	55,914
	Dividend proposed	1,049	0	1,049	0
	<b>Total equity</b>	<b>51,049</b>	<b>60,914</b>	<b>51,049</b>	<b>60,914</b>
	<b>Provisions</b>				
9	Deferred tax	4,685	4,500	1,255	1,091
	<b>Total provisions</b>	<b>4,685</b>	<b>4,500</b>	<b>1,255</b>	<b>1,091</b>
	<b>Liabilities other than provisions</b>				
10	<b>Non-current liabilities other than provisions</b>				
	Mortgage debt	42	125	42	125
	Lease liabilities	353	762	353	762
11	Subordinate loan capital	19,214	0	19,214	0
	Other payables	541	0	541	0
		<b>20,150</b>	<b>887</b>	<b>20,150</b>	<b>887</b>
	<b>Current liabilities other than provisions</b>				
10	<b>Short-term part of long-term liabilities other than provisions</b>				
		4,673	482	4,673	482
	Bank debt	228,382	198,459	207,910	191,802
	Prepayments on work in progress	131	0	0	0
	Trade payables	106,113	104,904	101,173	91,553
	Payables to group enterprises	0	0	3,164	13,315
	Payables to associates	0	761	0	761
	Corporation tax payable	3,526	2,558	3,960	866
	Other payables	6,509	13,638	4,266	3,330
		<b>349,334</b>	<b>320,802</b>	<b>325,146</b>	<b>302,109</b>
	<b>Total liabilities other than provisions</b>	<b>369,484</b>	<b>321,689</b>	<b>345,296</b>	<b>302,996</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>425,218</b>	<b>387,103</b>	<b>397,600</b>	<b>365,001</b>

- 1 Accounting policies
- 12 Contractual obligations and contingencies, etc.
- 13 Collateral
- 14 Related parties
- 15 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	Group			Total
		Share capital	Retained earnings	Dividend proposed	
	Equity at				
	1 January 2018	5,000	53,477	0	58,477
	Transfer through appropriation of profit	0	11,827	0	11,827
	Other value adjustments of equity	0	90	0	90
	Adjustment of hedging instruments at fair value	0	-395	0	-395
	Proposed extraordinary dividend recognised under equity	0	-9,085	0	-9,085
	Equity at				
	1 January 2019	5,000	55,914	0	60,914
	Capital increase	0	11,000	0	11,000
	Transfer through appropriation of profit	0	14,193	1,049	15,242
	Other value adjustments of equity	0	37	0	37
	Adjustment of hedging instruments at fair value	0	451	0	451
	Purchase of treasury shares	0	-15,840	0	-15,840
	Sale of treasury shares	0	2,640	0	2,640
	Proposed extraordinary dividend recognised under equity	0	-29,244	0	-29,244
	Dividend, treasury shares	0	5,849	0	5,849
	Equity at				
	31 December 2019	5,000	45,000	1,049	51,049



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

Statement of changes in equity (continued)

Note	DKK'000	Parent company			Total
		Share capital	Retained earnings	Dividend proposed	
	Equity at				
	1 January 2018	5,000	53,476	0	58,476
16	Transfer, see "Appropriation of profit"	0	11,828	0	11,828
	Other value adjustments of equity	0	90	0	90
	Adjustment of hedging instruments at fair value	0	-395	0	-395
	Proposed extraordinary dividend recognised under equity	0	-9,085	0	-9,085
	Equity at 1 January 2019	5,000	55,914	0	60,914
	Capital increase	0	11,000	0	11,000
16	Transfer, see "Appropriation of profit"	0	14,193	1,049	15,242
	Other value adjustments of equity	0	37	0	37
	Adjustment of hedging instruments at fair value	0	451	0	451
	Purchase of treasury shares	0	-15,840	0	-15,840
	Sale of treasury shares	0	2,640	0	2,640
	Proposed extraordinary dividend recognised under equity	0	-29,244	0	-29,244
	Dividend, treasury shares	0	5,849	0	5,849
	Equity at 31 December 2019	5,000	45,000	1,049	51,049



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

Cash flow statement

Note	DKK'000	Group		Parent company	
		2019	2018	2019	2018
	Profit for the year	15,242	11,827	15,242	11,827
17	Adjustments	17,233	17,326	19,495	8,956
	Cash generated from operations (operating activities)	32,475	29,153	34,737	20,783
18	Changes in working capital	-42,644	-28,119	-43,885	-37,119
	Cash generated from operations (operating activities)	-10,169	1,034	-9,148	-16,336
	Interest received, etc.	1,810	46	1,108	34
	Interest paid, etc.	-10,337	-8,847	-8,988	-8,158
	Taxes paid	-3,436	-5,436	-2,242	-3,364
	Cash flows from operating activities	-22,132	-13,203	-19,270	-27,824
	Additions of property, plant and equipment	-5,830	-7,564	-1,604	-2,076
	Sales of property, plant and equipment	545	0	545	0
	Purchase of financial assets	-101	-31,584	-101	-29,460
	Dividends received	0	0	7,001	0
	Cash flows to investing activities	-5,386	-39,148	5,841	-31,536
	Dividends paid	-25,594	-9,085	-25,594	-9,085
	Proceeds of long-term liabilities	19,214	0	19,214	0
	Proceeds of bank debt, net	29,922	62,162	16,108	68,904
	Proceeds of debt, group enterprises	4,181	0	4,181	0
	Repayments, long-term liabilities	-482	-473	-482	-472
	Cash flows from financing activities	27,241	52,604	13,427	59,347
	Net cash flow	-277	253	-2	-13
	Cash and cash equivalents at 1 January	312	59	37	50
19	Cash and cash equivalents at 31 December	35	312	35	37

## 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 2019 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.

#### 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.

##### Significant influence

Entities over whose financial and operating policy decisions the group exercises significant influence are classified as associates. Significant influence is assumed to exist if the Parent Company directly or indirectly holds or controls 20% or more of the voting power of the investee, but does not control the investee.

The existence of potential voting rights which may presently be exercised or be converted into additional voting rights is considered when assessing if significant influence exists.

##### Preparation of consolidated financial statements

The consolidated financial statements are prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements, which are prepared according to the group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains if they do not reflect impairment.

In the consolidated financial statements, the accounting items of subsidiaries are recognised in full. Non-controlling interests' share of the profit/loss for the year and of the equity of subsidiaries which are not wholly-owned are included in the group's profit/loss and equity, respectively, but are disclosed separately.

Acquisitions and disposals of non-controlling interests which are still controlled are recognised directly in equity as a transaction between shareholders.

Investments in associates are recognised in the consolidated financial statements using the equity method.

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

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### External business combinations

Recently acquired entities are recognised in the consolidated financial statements from the date of acquisition. Comparative figures are not restated to reflect newly acquired entities.

The date of acquisition is the date when the group actually obtains control of the acquiree.

The acquisition method is applied to the acquisition of new entities of which the group obtains control. The acquirees' identifiable assets, liabilities and contingent liabilities are measured at fair value at the date of acquisition. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax related to the revaluations is recognised.

Positive differences (goodwill) between, on the one hand, the consideration for the acquiree, the value of non-controlling interests in the acquired entity and the fair value of any previously acquired equity investments and, on the other hand, the fair value of the assets, liabilities and contingent liabilities acquired are recognised as goodwill under "Intangible assets". Goodwill is amortised on a straight-line basis in the income statement based on an individual assessment of the economic life of the asset.

Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for impairment testing.

The consideration paid for an entity consists of the fair value of the agreed consideration in the form of assets transferred, liabilities assumed and equity instruments issued. Subsequent adjustments of contingent considerations are recognised in the income statement.

Expenses incurred to acquire entities are recognised in the income statement in the year in which they are incurred.

Where, at the date of acquisition, the identification or measurement of acquired assets, liabilities or contingent liabilities or the determination of the consideration is associated with uncertainty, initial recognition will take place on the basis of provisional amounts. If it turns out subsequently that the identification or measurement of the consideration transferred, acquired assets, liabilities or contingent liabilities was incorrect on initial recognition, the statement will be adjusted retrospectively, including goodwill, until 12 months after the acquisition, and comparative figures will be restated. Hereafter, any adjustments are recognised as misstatements.

Gains or losses from disposal of subsidiaries which result in loss of control are calculated as the difference between, on the one hand, the fair value of the selling price less selling expenses and, on the other hand, the carrying amount of net assets.

##### 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.

#### Income statement

##### Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

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 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.

##### 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.

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

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Amortisation/depreciation and impairment

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

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	30-40 years
Fixtures and fittings, other plant and equipment	3-10 years

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

##### Profit/loss from investments in subsidiaries and associates

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 and associates are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries. Only proportionate elimination of intra-group gains/losses is made for equity investments in associates.

The proportionate share of the individual subsidiaries' profit/loss after tax after full elimination of internal gains/losses are recognised in the parent company's income statement.

The item includes dividend received from subsidiaries and associates.

##### 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

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.

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

### Notes to the financial statements

#### 1 Accounting policies (continued)

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 and P.B. Foods ApS. Taking into consideration Lacto Foods A/S' and P.B. Foods ApS' market positions, Management has assessed that goodwill should be amortised over 10 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.

#### Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of 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".

#### Investments in subsidiaries and associates

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 and associates 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.

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

### Notes to the financial statements

#### 1 Accounting policies (continued)

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 deducted from the carrying amount.

Equity investments in subsidiaries and associates 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).

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.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

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.



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

### Notes to the financial statements

#### 1 Accounting policies (continued)

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.

#### Equity

##### Reserve for net revaluation according to the equity method

The net revaluation reserve according to the equity method includes net revaluations of investments in subsidiaries and associates relative to cost. The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

##### 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.

## 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.

##### Subordinate loan capital

Liabilities where the creditors have stated they are willing to subordinate their claim to rank after all the entity's other creditors are presented as subordinate loan capital. Subordinate loan capital is recognised using the same method as applies to liabilities.

##### 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 and short term securities which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

##### 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.



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

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Financial ratios

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

Operating margin	$\frac{\text{Operating profit (EBIT)} \times 100}{\text{Revenue}}$
Gross margin ratio	$\frac{\text{Gross margin} \times 100}{\text{Revenue}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$
Equity ratio including subordinated loans	$\frac{\text{Equity plus subordinated loans, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$

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

Notes to the financial statements

DKK'000	Group		Parent company	
	2019	2018	2019	2018
2	Segment information			
Breakdown of revenue by business segment:				
Cheese	228,255	444,197	168,354	257,287
Powder	424,155	287,694	414,800	287,694
Export	588,756	394,066	588,756	395,381
	<u>1,241,166</u>	<u>1,125,957</u>	<u>1,171,910</u>	<u>940,362</u>
Breakdown of revenue by geographical segment:				
Scandinavia	362,878	361,380	335,023	264,869
Europe - outside Scandinavia	291,683	339,917	250,282	267,596
Other	586,605	424,660	586,605	407,897
	<u>1,241,166</u>	<u>1,125,957</u>	<u>1,171,910</u>	<u>940,362</u>

DKK'000	Group		Parent company	
	2019	2018	2019	2018
3	Staff costs			
Wages/salaries	33,893	24,339	27,834	19,552
Pensions	2,976	2,641	2,146	1,842
Other social security costs	546	509	327	249
Other staff costs	799	567	769	533
	<u>38,214</u>	<u>28,056</u>	<u>31,076</u>	<u>22,176</u>

Total remuneration to Management : DKK 6,599 thousand (2018: DKK 5,599 thousand).

Average number of full-time employees	Group		Parent company	
	2019	2018	2019	2018
	<u>54</u>	<u>49</u>	<u>37</u>	<u>30</u>

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

Notes to the financial statements

DKK'000	Group		Parent company	
	2019	2018	2019	2018
4 Tax for the year				
Estimated tax charge for the year	4,687	3,912	5,463	2,220
Deferred tax adjustments in the year	163	-134	164	55
	<u>4,850</u>	<u>3,778</u>	<u>5,627</u>	<u>2,275</u>

5 Intangible assets

DKK'000	Group
	Goodwill
Cost at 1 January 2019	13,669
Cost at 31 December 2019	13,669
Impairment losses and amortisation at 1 January 2019	1,517
Amortisation for the year	1,367
Impairment losses and amortisation at 31 December 2019	2,884
Carrying amount at 31 December 2019	<u>10,785</u>

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

Notes to the financial statements

6 Property, plant and equipment

DKK'000	Group			Total
	Land and buildings	Fixtures and fittings, other plant and equipment	Property, plant and equipment under construction	
Cost at 1 January 2019	36,434	18,016	4,988	59,438
Additions	2,492	3,388	0	5,880
Disposals	0	-1,124	0	-1,124
Transferred	4,988	0	-4,988	0
Cost at 31 December 2019	43,914	20,280	0	64,194
Impairment losses and depreciation at 1 January 2019	5,226	9,444	0	14,670
Depreciation	1,512	1,450	0	2,962
Reversal of accumulated depreciation and impairment of assets disposed	0	-529	0	-529
Impairment losses and depreciation at 31 December 2019	6,738	10,365	0	17,103
Carrying amount at 31 December 2019	37,176	9,915	0	47,091
Property, plant and equipment include finance leases with a carrying amount totalling	0	1,564	0	1,564

Note 13 provides more details on security for loans, etc. as regards property, plant and equipment.

DKK'000	Parent company		
	Land and buildings	Fixtures and fittings, other plant and equipment	Total
Cost at 1 January 2019	19,434	15,843	35,277
Additions	152	1,452	1,604
Disposals	0	-1,124	-1,124
Cost at 31 December 2019	19,586	16,171	35,757
Impairment losses and depreciation at 1 January 2019	4,515	8,404	12,919
Depreciation	545	1,128	1,673
Reversal of accumulated depreciation and impairment of assets disposed	0	-529	-529
Impairment losses and depreciation at 31 December 2019	5,060	9,003	14,063
Carrying amount at 31 December 2019	14,526	7,168	21,694
Property, plant and equipment include finance leases with a carrying amount totalling	0	1,564	1,564

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

### Notes to the financial statements

#### 7 Investments

DKK'000	Group		
	Investments in associates	Other receivables	Total
Cost at 1 January 2019	1,377	261	1,638
Additions	0	101	101
Cost at 31 December 2019	1,377	362	1,739
Value adjustments at 1 January 2019	134	0	134
Foreign exchange adjustments	36	0	36
Profit/loss for the year	479	0	479
Value adjustments at 31 December 2019	649	0	649
Carrying amount at 31 December 2019	2,026	362	2,388

DKK'000	Parent company			
	Investments in group enterprises	Investments in associates	Other receivables	Total
Cost at 1 January 2019	54,502	1,377	261	56,140
Additions	0	0	101	101
Cost at 31 December 2019	54,502	1,377	362	56,241
Value adjustments at 1 January 2019	3,797	134	0	3,931
Foreign exchange adjustments	0	36	0	36
Dividend received	-7,000	0	0	-7,000
Profit/loss for the year	-4,604	479	0	-4,125
Value adjustments at 31 December 2019	-7,807	649	0	-7,158
Carrying amount at 31 December 2019	46,695	2,026	362	49,083

Group goodwill totals DKK 10,785 thousand.

#### Parent company

Name	Domicile	Interest	Equity DKK'000	Profit/loss DKK'000
<b>Subsidiaries</b>				
Lacto Foods A/S	Vejle	100.00%	12,388	-6,676
P.B. Foods ApS	Assens	100.00%	12,485	3,919
<b>Associates</b>				
Fayrefield Foods LLC	Chapel Hill, USA	45.00%	4,502	1,064

## 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	2019	2018	2017	2016	2015
Opening balance	5,000	5,000	5,000	5,000	5,000
	5,000	5,000	5,000	5,000	5,000

DKK'000	Group		Parent company	
	2019	2018	2019	2018
9 Deferred tax				
Deferred tax at 1 January	4,500	1,134	1,091	1,035
Additions on acquisition	0	3,500	0	0
Other deferred tax	185	-134	164	56
Deferred tax at 31 December	4,685	4,500	1,255	1,091

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

#### 10 Non-current liabilities other than provisions

DKK'000	Group			
	Total debt at 31/12 2019	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Mortgage debt	125	83	42	0
Lease liabilities	762	409	353	0
Subordinate loan capital	23,395	4,181	19,214	8,714
Other payables	541	0	541	0
	24,823	4,673	20,150	8,714

DKK'000	Parent company			
	Total debt at 31/12 2019	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Mortgage debt	125	83	42	0
Lease liabilities	762	409	353	0
Subordinate loan capital	23,395	4,181	19,214	8,714
Other payables	541	0	541	0
	24,823	4,673	20,150	8,714

#### 11 Subordinate loan capital

Loans of 23,395 t.DKK has been granted by the parent companies and are subordinated in relation to all other creditors.

The loan of 8,714 t.DKK term to maturity when the entity has solvency ratio of 20 %.

The loan of 10,500 t.DKK term to maturity is January 1, 2022.

The loan of 4,181 t.DKK term to maturity in 2020.

The interest is added to the principal and does fall annually and will be added to the principal until payment.



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

### Notes to the financial statements

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

##### Other contingent liabilities

DKK'000	Group		Parent company	
	2019	2018	2019	2018
Other contingent liabilities	7,769	307,280	0	0
	7,769	307,280	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.

#### 13 Collateral

##### Group

As security for debt to mortgage bankcredit institutions, the group has provided security or other collateral in its assets for a total amount of t.DKK 125,000. The total carrying amount of these assets is t.DKK 318,102. Breakdown of the security/collateral and the carrying amount:

Trade receivables at a carrying amount of t.DKK 154,464 at 31 December 2019, inventory at a carrying amount of t.DKK 158,034 and operating equipment at a carrying amount of t.DKK 5,604 at 31 December 2019 have been put up as security for debt to mortgage credit institutions, totalling t.DKK 228,382.

A company charge on the assets at a carrying amount of t.DKK 125,000 at 31 December 2019 has been put up as security for debt to mortgage credit institutions, totalling t.DKK 207,828.

##### Other:

Land and buildings at a carrying amount of t.DKK 14,526 at 31 December 2019 have been put up as security for debt to mortgage credit institutions, totalling t.DKK 125.

In security of engagement with bank the group has pledged a mortgage deed registered to the mortgage of t.DKK 2,200 with security in land register no. 7 f Rostrup By, Rostrup, Rostrup Byvej 3, DK-9510 Arden.

##### Parent company

As security for the debt to mortgage bankcredit institutions, the company has provided security or other collateral in its assets for a total amount of t.DKK 125,000. The total carrying amount of these assets is t.DKK 318,102. Breakdown of the security/collateral and the carrying amount:

Trade receivables at a carrying amount of t.DKK 154,464 at 31 December 2019, inventory at a carrying amount of t.DKK 158,034 and operating equipment at a carrying amount of t.DKK 5,604 at 31 December 2019 have been put up as security for debt to mortgage credit institutions, totalling t.DKK 207,828.

A company charge on the Company's assets at a carrying amount of t.DKK 125,000 at 31 December 2019 has been put up as security for debt to mortgage credit institutions, totalling t.DKK 207,828.

##### Other:

Land and buildings at a carrying amount of t.DKK 14,526 at 31 December 2019 have been put up as security for debt to mortgage credit institutions, totalling t.DKK 125.

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

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 no. 7 f Rostrup By, Rostrup, Rostrup Byvej 3, DK-9510 Arden.

14 Related parties

Group

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

Parties exercising control

Related party	Domicile	Basis for control
FF Medarbejder Invest ApS		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
Frank Therkildsen		Member of the supervisory board
Susanne Hougaard Steffensen		Member of the supervisory board

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.

DKK'000	Group	
	2019	2018
15 Fee to the auditors appointed by the Company in general meeting		
Total fees to EY	179	219
Statutory audit	106	150
Other assistance	73	69
	179	219



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

Notes to the financial statements

DKK'000		Parent company	
		2019	2018
16	Appropriation of profit		
	Recommended appropriation of profit		
	Proposed dividend recognised under equity	1,049	0
	Extraordinary dividend distributed in the year	29,244	9,085
	Retained earnings/accumulated loss	-15,051	2,742
		<u>15,242</u>	<u>11,827</u>
DKK'000		Parent company	
		2019	2018
17	Adjustments		
	Amortisation/depreciation and impairment losses	4,144	4,023
	Gain/loss on the sale of non-current assets	50	0
	Income from investments in group entities/associates	-479	-44
	Financial income	-1,810	-46
	Financial expenses	10,478	9,615
	Tax for the year	4,850	3,778
		<u>17,233</u>	<u>17,326</u>
		1,673	1,780
		50	0
		4,124	-3,991
		-967	-34
		8,988	8,926
		5,627	2,275
		<u>19,495</u>	<u>8,956</u>
18	Changes in working capital		
	Change in inventories	-45,416	3,738
	Change in receivables	8,342	-35,785
	Change in trade and other payables	-5,570	3,928
		<u>-42,644</u>	<u>-28,119</u>
		-45,275	2,532
		768	-44,040
		622	4,389
		<u>-43,885</u>	<u>-37,119</u>
19	Cash and cash equivalents at year-end		
	Cash according to the balance sheet	7	281
	Securities included as cash and cash equivalents	28	31
		<u>35</u>	<u>312</u>
		7	6
		28	31
		<u>35</u>	<u>37</u>