

EUROPEAN QUALITY FOOD A/S

Gl. Strandvej 29
6000 Kolding
Business Registration No
25366816

Annual report 2018

The Annual General Meeting adopted the annual report on 31.05.2019

Chairman of the General Meeting

Name: Jørgen Meyer

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Entity details

Entity

EUROPEAN QUALITY FOOD A/S

Gl. Strandvej 29

6000 Kolding

Central Business Registration No (CVR): 25366816

Registered in: Kolding

Financial year: 01.01.2018 - 31.12.2018

Website: WWW.EQF.DK

E-mail: DK@EQF.DK

Board of Directors

Jørgen Meyer

Ole Koed-Madsen

Morten Koed Refshauge

Executive Board

Ole Koed-Madsen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Egtved Allé 4

6000 Kolding

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of EUROPEAN QUALITY FOOD A/S for the financial year 01.01.2018 - 31.12.2018.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

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

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

Kolding, 31.05.2019

Executive Board

Ole Koed-Madsen

Board of Directors

Jørgen Meyer

Ole Koed-Madsen

Morten Koed Refshauge

Independent auditor's extended review report

To the shareholders of EUROPEAN QUALITY FOOD A/S

Conclusion

We have performed an extended review of the financial statements of EUROPEAN QUALITY FOOD A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Based on our extended review, in our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for conclusion

We conducted our extended review in accordance with the assurance engagement standard for small enterprises as issued by the Danish Business Authority and the standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act as issued by FSR - Danish Auditors. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the extended review of the financial statements". We are independent of the Entity 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 requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the extended review of the financial statements

Our responsibility is to express a conclusion on the financial statements. This requires that we plan and perform procedures to obtain limited assurance about our conclusion on the financial statements and that we also perform specifically required supplementary procedures for the purpose of obtaining additional assurance about our conclusion.

An extended review consists of making inquiries, primarily of management and, if appropriate, of other entity personnel, performing analytical and the specifically required supplementary procedures as well as evaluating the evidence obtained.

Independent auditor's extended review report

The procedures performed in an extended review are less in scope than in an audit, and accordingly we do not express an audit opinion on the financial statements.

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Kolding, 31.05.2019

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No (CVR) 33963556

Lars Bjerregaard Nielsen

State Authorised Public Accountant

Identification No (MNE) mne29393

Management commentary

Primary activities

During the financial year, the company's activity has been export of meat raw materials to the meat processing industry.

Development in activities and finances

The year 2018 in outline

The present market conditions have made future business impossible due to African Swine Fever and consequently the management has decided temporarily to stop the business activities in EUROPEAN QUALITY FOOD AS and close down the subsidiary EUROPEAN QUALITY GOOD LLC in Moscow.

This process has been very costly and all assets have been re-evaluated according to the present market value.

The loss of the year amounts to DKK 7,282k, which is considered non-satisfactory by Management.

Events after the end of the financial year

No conditions that disturb the assessment of the annual report have occurred.

Income statement for 2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Gross profit		313.269	1.524.912
Distribution costs	1, 2	(818.979)	(1.002.537)
Administrative expenses	1, 2	<u>(6.222.621)</u>	<u>(2.201.252)</u>
Operating profit/loss		(6.728.331)	(1.678.877)
Income from investments in group enterprises		(73.067)	231.995
Other financial income	3	461.705	436.445
Other financial expenses		<u>(311.815)</u>	<u>(386.356)</u>
Profit/loss before tax		(6.651.508)	(1.396.793)
Tax on profit/loss for the year	4	<u>(630.122)</u>	<u>349.444</u>
Profit/loss for the year		<u>(7.281.630)</u>	<u>(1.047.349)</u>
Proposed distribution of profit/loss			
Ordinary dividend for the financial year		1.600.000	2.500.000
Retained earnings		<u>(8.881.630)</u>	<u>(3.547.349)</u>
		<u>(7.281.630)</u>	<u>(1.047.349)</u>

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Other fixtures and fittings, tools and equipment		635.261	189.001
Property, plant and equipment	5	<u>635.261</u>	<u>189.001</u>
Investments in group enterprises		1.307.961	1.576.637
Other investments		0	597.769
Fixed asset investments	6	<u>1.307.961</u>	<u>2.174.406</u>
Fixed assets		<u>1.943.222</u>	<u>2.363.407</u>
Trade receivables		2.050.760	4.986.915
Receivables from group enterprises		4.804.383	11.144.209
Deferred tax		0	630.122
Other receivables		550.115	363.579
Prepayments		24.334	2.676
Receivables		<u>7.429.592</u>	<u>17.127.501</u>
Other investments		1.050	1.050
Other investments		<u>1.050</u>	<u>1.050</u>
Cash		<u>76.865</u>	<u>3.005.298</u>
Current assets		<u>7.507.507</u>	<u>20.133.849</u>
Assets		<u>9.450.729</u>	<u>22.497.256</u>

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018</u> <u>DKK</u>	<u>2017</u> <u>DKK</u>
Contributed capital		1.000.000	1.000.000
Reserve for net revaluation according to the equity method		1.096.523	1.365.199
Retained earnings		1.675.735	10.484.298
Proposed dividend		<u>1.600.000</u>	<u>2.500.000</u>
Equity		<u>5.372.258</u>	<u>15.349.497</u>
Bank loans		3.805.945	6.018.681
Prepayments received from customers		0	257.125
Trade payables		110.618	685.880
Payables to shareholders and management		54.492	0
Other payables		<u>107.416</u>	<u>186.073</u>
Current liabilities other than provisions		<u>4.078.471</u>	<u>7.147.759</u>
Liabilities other than provisions		<u>4.078.471</u>	<u>7.147.759</u>
Equity and liabilities		<u>9.450.729</u>	<u>22.497.256</u>
Contingent liabilities	7		

Statement of changes in equity for 2018

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK
	<u>DKK</u>	<u>DKK</u>	<u>DKK</u>
Equity beginning of year	1.000.000	1.365.199	10.484.298
Ordinary dividend paid	0	0	0
Exchange rate adjustments	0	(195.609)	0
Profit/loss for the year	<u>0</u>	<u>(73.067)</u>	<u>(8.808.563)</u>
Equity end of year	<u>1.000.000</u>	<u>1.096.523</u>	<u>1.675.735</u>
		Proposed dividend DKK	Total DKK
		<u>DKK</u>	<u>DKK</u>
Equity beginning of year		2.500.000	15.349.497
Ordinary dividend paid		(2.500.000)	(2.500.000)
Exchange rate adjustments		0	(195.609)
Profit/loss for the year		<u>1.600.000</u>	<u>(7.281.630)</u>
Equity end of year		<u>1.600.000</u>	<u>5.372.258</u>

Notes

	2018	2017
	DKK	DKK
1. Staff costs		
Wages and salaries	950.767	1.290.688
Pension costs	175.044	184.836
Other social security costs	13.349	14.120
Other staff costs	46.948	87.326
	1.186.108	1.576.970
Average number of employees	2	2
	2018	2017
	DKK	DKK
2. Depreciation, amortisation and impairment losses		
Depreciation on property, plant and equipment	103.740	7.990
Profit/loss from sale of intangible assets and property, plant and equipment	0	(70.000)
	103.740	(62.010)
	2018	2017
	DKK	DKK
3. Other financial income		
Financial income arising from group enterprises	170.775	416.500
Other interest income	210.273	0
Fair value adjustments	80.657	14.440
Other financial income	0	5.505
	461.705	436.445
	2018	2017
	DKK	DKK
4. Tax on profit/loss for the year		
Change in deferred tax	630.122	(349.444)
	630.122	(349.444)

Notes

	Other fixtures and fittings, tools and equipment DKK	
	<u>DKK</u>	
5. Property, plant and equipment		
Cost beginning of year		193.794
Additions		<u>550.000</u>
Cost end of year		<u>743.794</u>
Depreciation and impairment losses beginning of year		(4.793)
Depreciation for the year		<u>(103.740)</u>
Depreciation and impairment losses end of year		<u>(108.533)</u>
Carrying amount end of year		<u>635.261</u>
	Invest- ments in group enterprises DKK	Other investments DKK
	<u>DKK</u>	<u>DKK</u>
6. Fixed asset investments		
Cost beginning of year	211.438	100.000
Disposals	<u>0</u>	<u>(100.000)</u>
Cost end of year	<u>211.438</u>	<u>0</u>
Revaluations beginning of year	1.365.199	497.769
Exchange rate adjustments	(195.609)	0
Share of profit/loss for the year	(73.067)	0
Reversal regarding disposals	<u>0</u>	<u>(497.769)</u>
Revaluations end of year	<u>1.096.523</u>	<u>0</u>
Carrying amount end of year	<u>1.307.961</u>	<u>0</u>

Notes

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity inte- rest %</u>	<u>Equity DKK</u>	<u>Profit/loss DKK</u>
Investments in group enterprises comprise: EUROPEAN QUALITY FOOD LLC	Moscow	LLC	99,0	1.321.173	73.805

7. Contingent liabilities

As security for bank balance a company pledge of nom. t.DKK 5,000 has been issued comprising unsecured debt, inventories, operating equipment etc.

EUROPEAN QUALITY FOOD A/S is included in a Danish joint taxation with KM Holding DK A/S as administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable for income taxes etc for the jointly taxed companies and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

Accounting policies

Reporting class

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

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

Consolidated financial statements

Referring to section 110 of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Recognition and measurement

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

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

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

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

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

Foreign currency translation

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

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Accounting policies

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue and production costs.

Revenue

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

Production costs

Production costs comprise cost of sales for the financial year, including ordinary write-down of inventories and other costs incurred to earn revenue for the financial year, including wages and salaries as well as amortisation, depreciation and impairment losses relating to plant and equipment.

Distribution costs

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

Administrative costs

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

Income from investments in group enterprises

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

Accounting policies

Other financial income

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

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

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

Balance sheet

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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

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

Other fixtures and fittings, tools and equipment	5-7 years
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Estimated useful lives and residual values are reassessed annually.

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

Investments in group enterprises

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

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

Accounting policies

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

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

Other investments

Other investments comprise unlisted shares which are measured at fair value (market price) at the balance sheet date.

Receivables

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

Deferred tax

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

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

Prepayments

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

Other investments

Securities recognised under current assets comprise listed securities measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity.

Other financial liabilities

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

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.