Lallemand Denmark A/S

Annual report 2016/17

The annual report was presented and adopted at the Company's annual general meeting on

10 May 2017

chairman

CVR no. 26 01 49 80
Bredstrupvej 33
DK-8500 Grenaa

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Lallemand Denmark A/S for the financial year 1 February 2016 – 31 January 2017.

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

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 January 2017 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 February 2016 – 31 January 2017.

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

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

Grenaa, 10 May 2017

Executive Board:

Nicolai Francis Jensen

Board of Directors:

William John Nankervis Chairman	François Leblanc	Antoine Chagnon
Johannes Gerhardus Steenkamp	Lars Øvervad Asferg	

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Independent auditors' report

To the shareholders of Lallemand Denmark A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Lallemand Denmark A/S for the financial year 1 February 2016 – 31 January 2017 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the Parent Company and a cash flow statement for the Group. The consolidated financial statements and parent company financial statements are repared 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 Group's and the Parent Company's assets, liabilities and financial position at 31 January 2017 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 February 2016 – 31 January 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" section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the consolidated financial statements and the parent company 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 that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditors' report

In preparing the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements and the parent company 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made on the basis of these consolidated financial statements and parent company 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

- identify and assess the risks of material misstatement of the consolidated financial statements and the parent company 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.

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Independent auditors' report

- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company 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.

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Independent auditors' report

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements or the parent company 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 consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 10 May 2017

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Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Michael Stenskrog
State Authorised
Public Accountant

Jakob Westerdahl
State Authorised
Public Accountant

Management's review

Company details

Lallemand Denmark A/S
Bredstrupvej 33
DK-8500 Grenaa

Telephone:	+45 87 58 24 00

CVR no.:	26 01 49 80
Established:	1 May 2001
Registered office:	Grenaa
Financial year:	1 February – 31 January

Board of Directors

William John Nankervis
Francois Leblanc
Antoine Chagnon
Johannes Gerhardus Steenkamp
Lars Overvad Asferg

Executive Board

Nicolai Francis Jensen

Auditor

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Statsautoriseret Revisionspartnerselskab
Bredskifte Allé 13
DK-8210 Aarhus V

Management's review

Financial highlights

DKK'000	2016/17	2015/16	2014/15	2013/14	2012/13
Key figures - Group					
Gross profit	102.151	95.922	87.025	84.216	92.446
Operating profit	19.214	15.609	6.495	800	10.392
Loss from financial income and expenses	-3.677	-6.166	-5.541	-6.298	-15.260
Profit/loss for the year	**12.207**	**7.817**	**1.682**	**-739**	**7.064**
Total assets	301.084	292.757	309.971	304.445	345.498
Investment in property, plant and equipment	23.459	23.933	9.938	11.621	9.724
Equity	**36.638**	**24.431**	**16.614**	**14.932**	**15.671**
Financial ratios					
Return on invested capital	6,6%	5,3%	2,2%	0,3%	3,0%
Current ratio	150,0%	134,7%	153,5%	61,7%	65,1%
Solvency ratio	12,2%	9,1%	5,4%	4,9%	4,5%
Return on equity	40,0%	36,1%	10,7%	-4,8%	-36,8%
Average number of full-time employees	**134**	**127**	**128**	**132**	**134**

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

Management's review

Operating review

Ownership and activities

The Company is a wholly-owned subsidiary of Lallemand Inc.

Principal activities of the Company

The Company is primarily engaged in packaging and distribution as well as in the holding of investments in subsidiaries.

Financial year

For the year under review, the Company's income statement showed a loss of DKK 763 thousand, and equity amounts to DKK 73,658 thousand at 31 January 2017.

For the year under review, the Group's income statement showed an income of DKK 12,207 thousand, and equity amounts to DKK 36,638 thousand at 31 January 2017.

The development in operating profit is considered satisfactory and in line with expectations communicated in last years annual report.

Outlook

The Group is expected to continue improving its profitability and will continue focus on its teams, customers and services.

Financial result for 2017/18 are expected to be at the same level as 2016/17.

Development in activities and financial position

Lallemand Denmark A/S

Result for the year is considered satisfactory and should continue in 2017/18.

Lallemand Human Nutrition A/S

Result for the year is considered satisfactory and should continue in 2017/18.

Management's review

Operating review

De Danske Gærfabrikker A/S

Result for the year is considered satisfactory. Market conditions for bakers' yeast were characterised by continued strong competition.

The price of molasses will continue to influence the market opportunities for bakers' yeast in the coming year. The consumption of yeast in artisanal bakeries is declining, but a positive development in the sale of organic yeast, imported yeast from group companies as well as new delivery formats for conventional yeast, are expected to compensate for some of this decline. Markets for wine yeast, yeast extracts and whole-cell inactivated yeast remain promising.

Aktieselskabet Dansk Gærings-Industri

Result for the year was affected by operating income in the form of contributions from foundation investments.

Investments

Capital expenditure focus on products and application areas expected to generate growth in the coming years. Investments in production equipment are expected to remain at a constant level compared to 2016/17.

Particular risks

No particular risks have been identified.

General risks

Leading up to the liberalization of the European Sugar market in late 2017, uncertainties over the price point and availability of local beet molasses for fermentation purposes are expected.

The introduction of new Danish environmental taxes and regulations are likely to further influence the competitiveness of Lallemand Denmark A/S and De Danske Gærfabrikker A/S.

Financial risks

Strict account opening procedures and a stringent collection policy are applied for controlling credit risks.

The companies have no external debt so its only exposed to minimum interest rate risks.

Currency risk are considered minimal since companies are doing business in euro or in Danish Crown only.

Management's review

Operating review

Intellectual capital

The companies maneuver on markets dominated by knowledge-driven companies. Management will increasingly focus on securing, maintaining and developing the human, structural and relational capital of the companies.

Environment

The Company focuses on maintaining high environmental standards, adhering to or exceeding national regulations. This includes updating environmental approvals whilst keeping in close contact with local authorities on the local effects of our presence and production.

Research and development activities

The company's research and development activities are primarily conducted in the subsidiary Aktieselskabet Dansk Gærings-Industri. These activities focus on new processed and specialised products.

The research costs are recharged to the companies benefiting from the research projects

Consolidated financial statements and parent company financial statements for the year ended 31 January 2017

Income statement

DKK'000	Note	Group 2016/17	Group 2015/16	Parent Company 2016/17	Parent Company 2015/16
Gross profit		102.151	95.922	19.092	18.463
Staff costs	2	-62.534	-60.773	-16.213	-15.754
Depreciation/amortisation		-20.403	-19.540	-877	-833
Operating profit		19.214	15.609	2.002	1.876
Financial income	3	690	6	642	339
Financial expenses	4	-4.367	-6.172	-3.645	-4.790
Profit/loss before tax		15.537	9.443	-1.001	-2.575
Tax on profit/loss for the year	5	-3.330	-1.626	238	660
Profit/loss for the year	6	12.207	7.817	-763	-1.915

Consolidated financial statements and parent company financial statements for the year ended 31 January 2017

Balance sheet

DKK'000	Note	Group 2016/17	Group 2015/16	Parent Company 2016/17	Parent Company 2015/16
ASSETS					
Non-current assets					
Intangible assets					
Goodwill	7	0	0	0	0
Trademark		11.000	12.000	0	0
		11.000	12.000	0	0
Property, plant and equipment	8				
Land and buildings		27.878	30.031	0	0
Plant and machinery		149.131	150.696	0	0
Fixtures and fittings, tools and equipment		3.888	4.584	3.209	3.807
Property, plant and equipment under construction		21.213	12.782	200	0
Leasehold improvements		1.280	1.241	1.280	1.239
		203.390	199.334	4.689	5.046
Investments					
Equity investments in group entities	9	0	0	244.172	244.172
Total non-current assets		214.390	211.334	248.861	249.218
Current assets					
Inventories					
Raw materials and consumables		20.660	26.869	0	0
Work in progress		3.076	2.625	0	0
Finished goods and goods for resale		24.276	23.228	0	0
		48.012	52.722	0	0
Receivables					
Trade receivables		13.693	11.228	86	12
Receivables from group entities		14.558	9.344	5.727	9.193
Other receivables		1.093	1.092	38	286
Prepayments		1.661	2.021	456	741
Deferred tax asset	10	0	0	0	181
		31.005	23.685	6.307	10.413
Cash at bank and in hand		7.677	5.016	1.266	1.328
Total current assets		86.694	81.423	7.573	11.741
TOTAL ASSETS		301.084	292.757	256.434	260.959

Consolidated financial statements and parent company financial statements for the year ended 31 January 2017

Balance sheet

DKK'000	Note	Group 2016/17	Group 2015/16	Parent Company 2016/17	Parent Company 2015/16
EQUITY AND LIABILTIES					
Equity	11				
Share capital		2.100	2.100	2.100	2.100
Retained earnings		34.538	22.331	71.558	72.321
Total equity		36.638	24.431	73.658	74.421
Provisions					
Deferred tax	10	30.566	30.979	422	0
Total provisions		30.566	30.979	422	0
Liabilities other than provisions					
Non-current liabilities other than provisions	12				
Payables to group entities		176.282	176.902	176.282	176.902
		176.282	176.902	176.282	176.902
Current liabilities other than provisions					
Trade payables		7.901	9.791	401	88
Payables to group entities		27.261	24.448	836	918
Other payables, including tax payable		22.436	26.206	4.835	8.630
		57.598	60.445	6.072	9.636
Total liabilities other than provisions		233.880	237.347	182.354	186.538
TOTAL EQUITY AND LIABILITIES		301.084	292.757	256.434	260.959

Contingent liabilities, charges, etc.	14
Related parties	15

Consolidated financial statements and parent company financial statements for the year ended 31 January 2017

Statement of changes in equity

	Group			
DKK'000	Share capital	Retained earnings	Proposed dividends	Total
Equity at 1 February 2015	2.100	14.514	0	16.614
Transferred: see the profit appropriation/distribution of loss	0	7.817	0	7.817
Equity at 31 January 2016	2.100	22.331	0	24.431
Equity at 1 February 2016	2.100	22.331	0	24.431
Transferred: see the profit appropriation/distribution of loss	0	12.207	0	12.207
Equity at 31 January 2017	2.100	34.538	0	36.638

	Parent Company			
DKK'000	Share capital	Retained earnings	Proposed dividends	Total
Equity at 1 February 2015	2.100	74.236	0	76.336
Transferred: see the profit appropriation/distribution of loss	0	-1.915	0	-1.915
Equity at 31 January 2016	2.100	72.321	0	74.421
Equity at 1 February 2016	2.100	72.321	0	74.421
Transferred: see the profit appropriation/distribution of loss	0	-763	0	-763
Equity at 31 January 2017	2.100	71.558	0	73.658

Consolidated financial statements and parent company financial statements for the year ended 31 January 2017

Cash flow statement

DKK'000	Note	Group 2016/17	2015/16
Profit for the year before tax		15.537	9.443
Depreciation/amortization		20.403	19.540
Cash generated from operations (operating activities) before changes in working capital		35.940	28.983
Changes in working capital	13	-1.189	10.313
Corporation tax, paid		-8.011	-564
Cash flows from operating activities		26.740	38.732
Acquisition of property, plant and equipment	8	-23.459	-23.933
Cash flows from investing activities		-23.459	-23.933
Increase in bank loans and overdrafts		0	-35
Repayment of long-term debt (Group entities)		-620	-14.416
Cash flows from financing activities		-620	-14.451
Net cash flows from operating, investing and financing activities		2.661	348
Cash and cash equivalents at 1 February 2016		5.016	4.668
Cash and cash equivalents at 31 January 2017		7.677	5.016

The cash flow statement cannot be directly derived from the other components of the consolidated and the parent company financial statements.

Consolidated financial statements and parent company financial statements for the year ended 31 January 2017

Notes

1. Accounting policies

The annual report of Lallemand Denmark A/S for 2016/17 has been prepared in accordance with the provisions applying to reporting class C entities (medium-sized) under the Danish Financial Statements Act.

As from 1 January 2016, the Group has implemented Act no. 738 of 1 June 2015. This has entailed the following changes to recognition and measurement:
Going forward, dividends from equity investments in subsidiaries recognised at cost are always recognised in the income statement. In case of indication of impairment, an impairment test is conducted. Indication of impairment exists if distributed dividend exceeds profit for the year or if the carrying amount of equity investments exceeds the consolidated carrying amounts of the net assets in subsidiaries. Previously, cost was reduced to the extent that distributed dividend exceeded accumulated earnings after the acquisition date.
Going forward, the residual value of intangible assets and property, plant and equip-ment must be reassessed on an ongoing basis. Pursuant to the transition provisions of the Act, any adjustments to residual values must be made prospectively as an accounting estimate without restatement of comparative figures and without effect on equity.

The changes have no monetary effect on the income statement or the balance sheet for 2016/17 or for the comparative figures.

Apart from the above, the accounting policies used in the preparation of the consolidated financial statements and the parent company financial statements are consistent with those of last year.

Consolidated financial statements

The consolidated financial statements and the parent company financial statements comprise the parent company, Lallemand Denmark A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls.
On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends and realised and unrealised gains and losses on intra-group transactions are eliminated.
Investments in subsidiaries are set off against the proportionate share of subsidiaries' fair value of net assets and liabilities at the date of acquisition.

Consolidated financial statements and parent company financial statements for the year ended 31 January 2017

Notes

1. Accounting policies

Business combinations

Newly acquired or newly established entities are recognised in the consolidated financial statements at the date of acquisition or establishment. Divested or wound-up entities are recognised in the consolidated income statement up to the date of divestment or winding-up. Comparative figures are not restated to reflect acquisitions, divestments or windings-up.

When acquiring new entities, the purchase method is applied under which identifiable assets and liabilities are measured at fair value at the date of acquisition. Provisions are recognised to cover costs arising from planned and announced restructuring processes in the acquired entity as part of the acquisition. The tax effect of revaluations is recognised as deferred tax.

Positive differences (goodwill) between cost and the fair value of identifiable assets and liabilities acquired, including restructuring provisions, are recognised as intangible assets and amortised systematically in the income statement based on an individual assessment of the useful life, however, not exceeding 20 years. Negative differences (negative goodwill) reflecting projected unfavourable development in the relevant entities are recognised in the balance sheet as deferred income and recognised in the income statement as the unfavourable development materialise. Negative goodwill up to an amount not exceeding the fair value of non-monetary assets that does not relate to projected unfavourable development is recognised in the balance sheet as deferred income. The amount is subsequently recognised in the income statement over the average useful lives of the non-monetary assets. Any residual negative goodwill is recognised in the income statement at the date of acquisition.

Goodwill and negative goodwill from acquired entities may be adjusted until the end of the year after the year of acquisition.

The uniting-of-interests method is applied to business combinations such as the acquisition and disposal of equity investments, mergers, demergers, contribution of assets, share exchanges, etc., between entities controlled by the Parent Company. The uniting of interests is considered to have been completed at the date of the acquisition without restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquired entity is recognised in equity.

Gains or losses on the divestment of subsidiaries and associates are calculated as the difference between the sales amount and the carrying amount of net assets at the date of disposal, including non-amortised goodwill and projected costs of divestment or winding-up.

Consolidated financial statements and parent company financial statements for the year ended 31 January 2017

Notes

1. Accounting policies

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates 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, payables and other monetary items denominated in foreign currencies are translated at the exchange rates 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 latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Gross Profit

Pursuant to Section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

Revenue

Revenue includes invoiced sales from the repacking and storage of goods primarily for group entities and income from the sale of goods for resale and finished goods, comprising the sale of yeast and is recognised when delivery and transfer of risk to the buyer have taken place, the income may be reliably measured and is expected to be received.
Revenue is measured at the fair value of the agreed remuneration excluding VAT and taxes charged on behalf of third parties. All discounts granted are included in revenue.

Raw materials and consumables

Cost of raw materials and consumables comprise raw materials and consumables used to generate revenue for the year.

Other income

Other operating income comprises items secondary to the activities to the company.

Consolidated financial statements and parent company financial statements for the year ended 31 January 2017

Notes

1. Accounting policies

Other external costs

Other external costs comprise expenses incurred during the year for distribution, sales campaigns, advertising, administration, office premises, bad debts, operating leases, etc.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Financial income and expenses comprise interest income and expense, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

The parent company is covered by the Danish rules on compulsory joint taxation of the Lallemand Denmark Group's Danish subsidiaries. Subsidiaries form part of the joint taxation from the date on which they are included in the consolidated financial statements and up to the date on which they exit the consolidation.
The parent company is the administrative company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.
Current Danish corporation tax is allocated by settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carryforwards receive joint taxation contribution from companies that have used these losses to reduce their own taxable profits.
Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Consolidated financial statements and parent company financial statements for the year ended 31 January 2017

Notes

1. Accounting policies

Balance sheet

Intangible assets

Goodwill

Goodwill is amortised over the estimated useful life of the asset, which is determined on the basis of Management's experience within the individual business areas. Goodwill is amortised on a straight-line basis over a maximum amortisation period of 5-10 years.

Trademarks

Trademarks are measured at cost less accumulated amortisation and impairment losses. Trademarks are amortised on a straight-line basis over their estimated residual lives, however, not exceeding 20 years when related to the core business of the Group.

Gains and losses on the disposal of trademarks are determined as the difference between the sales price less disposal costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating costs, respectively.

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use.

The depreciable amount, which is calculated as cost less any projected residual values after the end of the useful life, is depreciated on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Buildings	10-30	years
Plant and machinery	10-20	years
Fixtures and fittings, tools and equipment	3-10	years
Leasehold improvements	5	years

1. Accounting policies

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively
Land is not depreciated.
Non-current assets under construction are recognized and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment. Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.
The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the projected net income from the use of the asset or the group of assets.
Previously recognised write-downs are reversed when the basis for the write-down no longer exists. Write-down of goodwill is not reversed.

Leases

On initial recognition, leases for non-current assets that transfer substantially all risks and rewards incident to ownership to the Company (finance leases) are recognised in the balance sheet at the lower of fair value and the net present value of future lease payments. When the net present value is calculated, 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 depreciated as the Company's other non-current assets.

The capitalised lease obligation is recognised in the balance sheet as a liability at amortised cost. The interest element of the lease payment is recognised in the income statement over the term of the lease. All other leases are operating leases. Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed as contractual obligations, etc.

Consolidated financial statements and parent company financial statements for the year ended 31 January 2017

Notes

1. Accounting policies

Investments

Investments in subsidiaries are measured at cost. Where the recoverable amount is lower than cost, investments are written down to this lower value. Dividends received are recognised in the income statement.

Inventories

Inventories are measured at cost in accordance with the average method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment as well as factory management. Borrowing costs are not included in cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.
Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.
Write-downs are calculated as the difference between the carrying amount of receivables and the present value of expected cash flows, including the realisable value of any collateral received.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Consolidated financial statements and parent company financial statements for the year ended 31 January 2017

Notes

1. Accounting policies

Equity

Dividends

Proposed dividends are recognised as a liability at the date on which they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.
Joint taxation contribution payable and receivable is recognised in the balance sheet as "Tax receivable from jointly taxed companies" or "Tax payable by jointly taxed companies".

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value 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 different tax rules can be applied to determine the tax base, deferred tax is measured based on Management's planned use of the asset or settlement of the liability, respectively.
Deferred tax assets, including the tax value of tax loss carryforwards, 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 and jurisdiction. Any deferred tax assets are measured at net realisable value.
Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at cost, corresponding to proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost.

Other liabilities are measured at net realisable value.

Consolidated financial statements and parent company financial statements for the year ended 31 January 2017

Notes

1. Accounting policies

Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

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

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities which are freely negotiable into cash and which are subject to an insignificant risk of changes in value.

Notes

1. Accounting policies

Key figures and financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".
The financial ratios stated in the survey of financial highlights have been calculated as follows:

Return on invested capital	$\frac{\text{Operating profit/loss x 100}}{\text{Average invested capital}}$
Invested capital	Operationel intagible assets and property, plant and equipment as well as net working capital
Operating assets	Operating assets are total assets less cash at hand and in bank and other interest-bearing assets (incl. shares)
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit/loss from ordinary activities after tax x 100}}{\text{Average equity}}$
Current ratio	$\frac{\text{Current assets x 100}}{\text{Current liabilities}}$

Notes

	DKK'000	Group 2016/17	Group 2015/16	Parent Company 2016/17	Parent Company 2015/16
2	**Staff costs**				
	Wages and salaries	55.643	53.951	14.225	13.786
	Pensions	4.805	4.839	1.098	1.040
	Other social security costs	835	799	296	291
	Other staff costs	1.251	1.184	594	637
		62.534	60.773	16.213	15.754
	Average number of full-time employees	134	128	37	35

Remuneration of the Executive Board of Lallemand Denmark A/S is not disclosed separately referring to section 98b (3) of the Danish Financial Statements Act. No remuneration was paid to the Board of Directors.

	DKK'000	Group 2016/17	Group 2015/16	Parent Company 2016/17	Parent Company 2015/16
3	**Financial income**				
	Interest income from group entities	0	0	30	339
	Foreign exchange gains	690	6	612	0
		690	6	642	339
4	**Financial income**				
	Interest expense to group entities	4.013	4.946	3.550	4.293
	Other financial expenses	325	490	95	2
	Foreign exchange loss	29	736	0	495
		4.367	6.172	3.645	4.790

Consolidated financial statements and parent company financial statements for the year ended 31 January 2017

Notes

	DKK'000	Group 2016/17	Group 2015/16	Parent Company 2016/17	Parent Company 2015/16
5	**Corporation tax**				
	Current tax for the year	4.410	3.043	-201	-640
	Adjustment of deferred tax	-413	-1.678	603	867
	Adjustments regarding payable joint taxation	-640	665	-640	-887
	Adjustment of deferred taxes in respect of prior years	0	-2.261	0	0
	Adjustment of taxes in respect of prior years	-27	1.857	0	0
		3.330	1.626	-238	-660
6	**Proposed profit appropriation/distribution of loss**				
	Retained earnings	12.207	7.817	-763	-1.915
		12.207	7.817	-763	-1.915

	7 **Intangible assets**	Group Goodwill	Group Trademark
	Cost at 1 February 2016	48.502	20.000
	Cost at 31 January 2017	48.502	20.000
	Impairment losses and amortization at 1 February 2016	48.502	8.000
	Amortization	0	1.000
	Impairment losses and amortization at 31 January 2017	48.502	9.000
	Carrying amount at 31 January 2017	0	11.000
	Amortized over	5-10 years	20 years

Notes

8 Property, plant and equipment

	Group				
DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Leasehold improvements
Cost at 1 February 2016	66.202	302.742	19.032	12.782	2.230
Additions	0	0	103	23.138	218
Transferred	0	14.707	0	-14.707	0
Disposals	0	0	-1.662	0	-496
Cost at 31 January 2017	66.202	317.449	17.473	21.213	1.952
Depreciation and impairment losses at 1 February 2016	36.171	152.046	14.448	0	989
Depreciation	2.153	16.272	799	0	179
Reversed depreciation of disposals for the year	0	0	-1.662	0	-496
Depreciation and impairment losses at 31 January 2017	38.324	168.318	13.585	0	672
Carrying amount at 31 January 2017	27.878	149.131	3.888	21.213	1.280
Depreciated over	10-30 years	10-20 years	3-10 years		5 years

	Parent Company		
DKK'000	Fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment under construction
Cost at 1 February 2016	13.294	2.064	0
Additions	104	216	200
Disposals	-1.662	-496	0
Cost at 31 January 2017	11.736	1.784	200
Depreciation and impairment losses at 1 February 2016	9.487	825	0
Depreciation	702	175	0
Reversed depreciation of disposals for the year	-1.662	-496	0
Depreciation and impairment losses at 31 January 2017	8.527	504	0
Carrying amount at 31 January 2017	3.209	1.280	200
Depreciated over	3-5 years	5 years	

Notes

9 Investments

Investments in subsidiary

DKK'000	Parent Company 2016/17	Parent Company 2015/16
Cost at 1 February 2016	244.172	244.172
Cost at 31 January 2017	244.172	244.172

Investments in subsidiaries are specified as follows:

DKK'000	Stake	Share Capital	Equity	Profit/loss for the year
Name		DKK'000	DKK'000	DKK'000
Lallemand Human Nutrition A/S, Birkerød	100%	500	5.594	1.325
De Danske Gærfabrikker A/S, Grenaa, Danmark	100%	1.000	142.267	16.423

	Group		Parent Company	
DKK'000	2016/17	2015/16	2016/17	2015/16
10 Deferred tax				
Deferred tax at 1 February 2016	30.979	34.918	-181	-1.048
Deferred tax adjustment for the year in the income statement	-413	-3.939	603	867
	30.566	30.979	422	-181

11 Equity

Consolidated and parent company

There have been no changes in share capital during the past five years
The share capital consists of 2,100 shares of nom. DKK 1,000 each.
All shares rank equally.

12 Non-current liabilities other than provisions

Non-current liabilities other than provisions comprise amounts owed to group entities. The liabilities become payable as follows:

	Group		Parent Company	
	2016/17	2015/16	2016/17	2015/16
Within one year	0	0	0	0
Between 1 and 5 years	0	0	0	0
After 5 years	176.282	176.902	176.282	176.902
	176.282	176.902	176.282	176.902

13 Changes in working capital

	Group	
DKK'000	2016/17	2015/16
Changes in inventories	4.710	7.599
Changes in receivables	-7.320	14.356
Changes in current liabilities	1.421	-11.642
	-1.189	10.313

14 Contingent liabilities, charges, etc.

Joint taxation

The Company is jointly taxed with the Company's subsidiaries. The Company has unlimited joint and several liability for Danish corporation taxes and withholding taxes on dividends and interest under the joint taxation scheme. The jointly taxed companies' total net liability to the Danish tax authorities is recognized in the consolidated Financial Statements of Lallemand Denmark A/S. Any subsequent corrections of the taxable jointly taxed income or withholding taxes, etc., may entail an increase in the Company's liability. The Group as a whole is not liable to any other parties.

Operating lease obligations

The Group has entered into lease agreements regarding premises, operating equipment and a service agreement.

Within 1 year	1.798
Between 1 and 5 years	6.935
	8.733

Notes

15 Related parties

Lallemand Denmark A/S' related parties comprise the following:

The Company's parent company and ultimate parent company exercise control.

The Company's related parties with significant influence comprise the Company's Board of Directors, Executive Board and executive staff. In addition, related parties comprise group entities in the Lallemand Group.

Control

Lallemand BIO S.L. Calle Galileu 303-305 Piso 1, Barcelona 08028, Spain, the principal shareholder.

The Company's ultimate parent company is Lallemand Inc., 151 Skyway Ave., Toronto, Canada M9W 4Z5. The consolidated financial statements in which Lallemand Denmark A/S is included can be obtained from Lallemand Inc.

Related party transactions

The company has chosen only to disclose transactions that are not carried out on an arm's lenght basis in accordance with section 98c(7) of the Danish Financial Statement Act.