Leighton Foods A/S

Blomstervej 16, DK-8381 Tilst

CVR no. 27 39 21 48

Annual report 2016

Approved at the Company's annual general meeting on 26/4 2017

Chairman:

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Building a better working world

Contents

Statement by the Board of Directors and the Executive Board

We have discussed and approved the annual report of Leighton Foods A/S for 31 December 2016.

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

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

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial position, profit for the year and of the Company's financial position.

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

Tilst, 26 April 2017
Executive Board:

Harald Keul	Jørgen Kargaard Jensen

Board of Directors:

Jørn Ankær Thomsen Chairman	Kenneth Skov Eskildsen	Erling Eskildsen
Harald Keul		

Independent auditor's report

To the shareholders of Leighton Foods A/S

Opinion

We have audited the financial statements of Leighton Foods A/S for the financial year 1 January - 31 December 2016, which comprise an 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.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and 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 additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

Independent auditor's report

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

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

Statement on 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 our procedures, 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 Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 26 April 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Klaus Skovsen
State Authorised Public Accountant

Michael Dahl Christiansen
State Authorised Public Accountant

Management's review

Financial highlights

DKK'000	2016	2015	2014	2013	2012
Key figures					
Gross profit	14,751	19,046	24,829	21,213	15,790
Ordinary operating profit/loss	3,332	8,908	12,877	9,632	4,314
Profit/loss from financial income and expenses	-267	-299	-426	-1,048	-1,709
Profit for the year	2,370	6,654	9,526	6,664	2,958
Total assets	66,794	63,810	41,471	26,834	32,139
Investment in property, plant and equipment	3,285	25,949	14,062	322	0
Equity	23,259	20,889	14,337	4,526	-2,138
Financial ratios					
Equity ratio	34.8%	32.7%	34.6%	16.9%	-6.7%
Return on equity	10.7%	37.8%	101.0%	-	-
Average number of full-time employees	22	20	18	14	14

In 2016, the Company changed its accounting policies, and consequently, production overheads are recognised in inventories. Financial highlights for 2012-2014 have not been restated.

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

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

Return on equity $$\frac{\text{Profit after tax x 100}}{\text{Average equity}}$$

Management's review

Business review

The objective of the Company is to trade in and manufacture tortilla snack, wraps and related products.

Financial review

Profit for the year before tax totalled DKK 3,065 thousand which is considered satisfactory.

Profit for the year after tax of DKK 2,370 thousand is transferred to equity, which then totals DKK 23,259 thousand.

Outlook

Sales for the year, which developed positively compared to 2015, are expected to reach the same level in 2017.

2017 is considered a year of consolidation after which, development is expected to further improve in 2018.

The Company expects its cash position to continue to develop positively in 2017.

Development activities

We continuously develop our products to adjust to the trends and what is popular at the present time.

Events after the balance sheet date

No significant events have occurred after the balance sheet date affecting the evaluation of the Company's financial position and the annual report for 2016.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2016	2015
2	**Gross profit**	14,751	19,046
	Selling and distribution costs	-4,677	-4,344
	Administrative expenses	-6,742	-5,794
	Profit before net financials, etc.	3,332	8,908
3	Financial income	208	41
4	Financial expenses	-475	-340
	Profit before tax	3,065	8,609
5	Tax on profit for the year	-695	-1,955
	Profit for the year	2,370	6,654
	Appropriation of profit/loss		
	Proposed dividend	0	0
	Retained earnings	2,370	6,654
		2,370	6,654

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Balance sheet

Note	DKK'000	2016	2015
	ASSETS		
	Fixed assets		
6	**Intangible assets**		
	Trademarks	0	0
		0	0
7	**Property, plant and equipment**		
	Plant and machinery	32,132	35,318
	Fixtures and fittings and other plant	30	34
	Property, plant and equipment under construction	7,548	7,723
		39,710	43,075
	Total fixed assets	39,710	43,075
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	4,602	2,758
	Finished goods and goods for resale	2,815	1,725
		7,417	4,483
	Receivables		
	Trade receivables	17,169	13,057
	Receivables from group enterprises	1,189	2,325
	Other receivables	1,304	865
		19,662	16,247
	Cash	5	5
	Total non-fixed assets	27,084	20,735
	TOTAL ASSETS	66,794	63,810

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2016	2015
	EQUITY AND LIABILITIES		
	Equity		
8	Share capital	500	500
	Retained earnings	22,759	20,389
	Total equity	23,259	20,889
	Provisions		
9	Deferred tax	1,405	1,756
	Liabilities		
10	**Non-current liabilities**		
	Finance lease obligations	16,169	16,850
10	**Current liabilities**		
	Finance lease obligations	2,671	2,358
	Bank loans and overdrafts	2,099	9,208
	Trade payables	14,302	9,426
	Payables to group enterprises	629	275
	Other payables	6,260	3,048
		25,961	24,315
	Total liabilities	42,130	41,165
	TOTAL EQUITY AND LIABILITIES	66,794	63,810

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Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Total
	Balance at 1 January 2015 in accordance with the financial statements for 2015	500	13,837	14,337
	Changes in accounting policies	0	183	183
	Balance at 1 January 2015 in accordance with new accounting policies	500	14,020	14,520
	Value adjustment of hedging instruments	0	-378	-378
	Tax thereon	0	93	0
14	Transfer, see "Appropriation of profit/loss"	0	6,654	6,654
	Balance at 31 December 2015	500	20,389	20,796
	Balance at 31 December 2015 in accordance with the financial statements for 2015	500	20,268	20,768
	Changes in accounting policies	0	121	121
	Balance at 1 January 2016 in accordance with new accounting policies	500	20,389	20,889
14	Transfer, see "Appropriation of profit/loss"	0	2,370	2,370
	Balance at 31 December 2016	500	22,759	23,259

Financial statements 1 January - 31 December

Notes

1 **Accounting policies**

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

In accordance with section 86(4) of the Danish Financial Statements Act, the Company has not prepared a cash flow statement.

Effective 1 January 2016, the Company has implemented act no. 738 of 1 June 2015. This implies that in future, residual values of property, plant and equipment will be subject to annual reassessment. The Company has no significant residual values of property, plant and equipment. Consequently, the change is made in accordance with section 4 of the executive order on transitional provisions with future effect only as a change in accounting estimates with no impact on equity. None of the above changes impacts on the income statement or the balance sheet for 2016 or the comparative figures.

As of the 2016 financial year, the Company changed reporting class from a B entity to a medium-sized class C entity. This implied that production overheads are recognised in cost of the Company's inventories. The change has had the below impact on profit before tax, profit for the year and equity.

DKK'000	2016	2015
Profit/loss before tax	+59	-80
Profit for the year	+46	-62
Equity	+167	+121

The comparative figures in the income statement, balance sheet, statement of changes in equity and notes have been restated to adjust to the changed accounting policies.

Apart from the above as well as new and changed presentation and disclosure requirements, which follow from act no. 738 of 1 June 2015 and the change to medium-sized reporting class C entity, the accounting policies are consistent with those of last year.

Income statement

Gross profit

The Company applies the sales method as basis for revenue recognition, according to which goods are recognised in the income statement provided that delivery has taken place before the end of the year.

In accordance with the Danish Financial Statements Act, revenue, production costs and other operating income have been aggregated in gross profit.

Distribution costs

Costs incurred in distributing goods sold during the year and in conducting sales campaigns, etc., during the year are recognised as distribution costs. Also, costs relating to sales staff, advertising, exhibitions and depreciation are recognised as distribution costs.

Administrative expenses

Administrative expenses comprise expenses paid in the year to manage and administer the Company, including expenses related to administrative staff, office premises, office expenses and amortisation and depreciation.

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1 Accounting policies (continued)

Financial income and expenses

Financial income and expenses comprise interest, expenses relating to finance lease as well as realised and unrealised gains and losses on transactions denominated in foreign currencies, etc.

Interest expense and other borrowing costs to finance intangible assets and property, plant and equipment and which relate to the production period are not recognised in cost of the assets.

Tax for the year

The Company is subject to the Danish rules on compulsory joint taxation of the Givesco Group's Danish subsidiaries. Givesco A/S is the administration company under the joint taxation and accordingly pays all corporation taxes to the tax authorities.

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

Tax for the year comprises joint taxation contribution and changes in deferred tax for the year due to changes in the tax rate. 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.

Balance sheet

Intangible assets

Right of use

Right of use of know-how and supply agreements are measured at cost less accumulated amortisation. Amortisation is provided on a straight-line basis over the expected useful lives of the assets, which is fixed at five years.

Licences

Licences are measured at cost less accumulated amortisation. Amortisation is provided on a straight-line basis over the expected useful lives of the assets, which is fixed at three years.

Trademarks

Costs for development and design of new trademarks are measured at cost less accumulated amortisation. Amortisation is provided on a straight-line basis over the expected useful lives of the assets, however not exceeding five years.

Costs for regular updating and maintenance of existing trademarks are recognised as incurred.

Property, plant and equipment

Assets are measured at cost less accumulated depreciation. Amortisation is provided on a straight-line basis over the expected useful lives of the assets, which is fixed at 3-10 years.

Plant and machinery and fixtures and fittings and other plant are measured at cost less accumulated depreciation and impairment losses. The basis of depreciation is cost less any expected residual value at the end of the useful life.

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1 **Accounting policies (continued)**

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets and any residual value. The expected useful lives are 3-10 years.

The basis of 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 time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In 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.

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

Leases

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

All other leases are considered operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total liabilities relating to operating leases and rent agreements are disclosed under "Contingencies, etc.".

Inventories

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

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

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and production overheads.

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

Receivables

Receivables are recognised at amortised cost, which in all material respects corresponds to nominal value. Write-down is made for bad debt losses to the extent necessary.

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1 Accounting policies (continued)

Dividend

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

Income tax and deferred tax

Joint taxation contribution payable and receivable is recognised in the balance sheet as "Receivables from group entities" or as "Payables to group entities".

Deferred tax is measured using the statement of financial position 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 that 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.

Payables

Financial liabilities are recognised at amortised cost. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are recognised at net realisable value.

Foreign exchange

Receivables and payables denominated in foreign currencies are translated into Danish kroner at the exchange rates at the balance sheet date. Both realised and unrealised capital gains and losses are recognised in the income statement.

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Notes

DKK'000		2016	2015
2	**Depreciation, amortisation and impairment losses**		
	Depreciation and amortisation are included in the below items:		
	Gross profit	6,648	4,808
	Administrative expenses	2	0
		6,650	4,808
3	**Financial income**		
	Other financial income	208	41
4	**Financial expenses**		
	Interest expense to group enterprises	0	79
	Other financial expenses	475	261
		475	340
5	**Tax on profit for the year**		
	Expected income tax for the year (joint taxation contribution)	1,046	703
	Adjustments, etc. in respect of previous years (joint taxation contribution)	0	-93
	Adjustment of deferred tax regarding previous years	0	83
	Adjustment of deferred tax for the year	-351	1,169
	Tax on profit for the year	695	1,862
	Tax on profit for the year	695	1,955
	Tax on changes in equity	0	-93
	Tax on profit for the year	695	1,862

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6 **Intangible assets**

DKK'000	Right of use and licences	Trade-marks	Total
Cost at 1 January 2016	359	579	938
Additions for the year	0	0	0
Disposals for the year	0	0	0
Cost at 31 December 2016	359	579	938
Amortisation at 1 January 2016	-359	-579	-938
Amortisation for the year	0	0	0
Amortisation, disposals for the year	0	0	0
Amortisation at 31 December 2016	-359	-579	-938
Carrying amount at 31 December 2016	0	0	0

7 **Property, plant and equipment**

DKK'000	Plant and machinery	Fixtures and fittings and other plant	Property, plant and equipment under construc-tion	Total
Cost at 1 January 2016	58,638	643	7,723	67,004
Transferred	1,044	0	-1,044	0
Additions for the year	2,395	21	869	3,285
Disposals for the year	0	-27	0	-27
Cost at 31 December 2016	62,077	637	7,548	70,262
Amortisation at 1 January 2016	-23,320	-609	0	-23,929
Amortisation for the year	-6,625	-25	0	-6,650
Amortisation, disposals for the year	0	27	0	27
Amortisation at 31 December 2016	-29,945	-607	0	-30,552
Carrying amount at 31 December 2016	32,132	30	7,548	39,710
Thereof re. finance lease	20,835	0	0	20,835

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8 **Equity**

The share capital consists of shares of DKK 1,000 each or multiples hereof. The share capital has remained unchanged for the past five years.

9 **Deferred tax**

Deferred tax related to operating equipment and inventories.

DKK'000	2016	2015
Deferred tax at 1 January	1,722	452
Changes in accounting policies	34	52
	1,756	504
Changes in the year of deferred tax	-351	1,169
Adjustment of deferred tax, previous years	0	83
Deferred tax at 31 December	1,405	1,756

According to expectations, DKK 314 thousand of the deferred tax recognised at 31 December 2016 will be realised as current tax in 2017.

10 **Non-current liabilities**

Non-current liabilities fall due as follows:

	DKK'000
Within 1 year	2,671
Between 1 and 5 years	11,064
After 5 years	5,105
	18,840

11 **Staff matters**

DKK'000	2016	2015
Wages and salaries	11,575	10,214
Pension contributions	752	641
Other social security costs	230	201
	12,557	11,056
Average number of employees	22	20
Executive Board remuneration	2,272	2,384

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12 Contingent liabilities and contractual obligations

The Company is jointly taxed with other Danish companies in the Givesco Group. As jointly taxed company, which is not wholly owned, the Company has limited and secondary liability for Danish income taxes within the joint taxation unit. The jointly taxed entities' total known net liabilities to SKAT are stated in the financial statements of the management company, (Givesco A/S, CVR no. 89 38 17 11). Any subsequent corrections of joint taxation income, etc., may entail that the Company's liability will increase.

The Company has entered into operating leases with a residual lease obligation of DKK 316 thousand. The Company has a lease contract with an affiliate with a yearly lease payment of DKK 2.2 million.

13 Related parties

Ownership

The below shareholders have ownership interests of 5% or more:

Danish Industrial Equipment A/S, Svinget 24, 7323 Give
Harald Peter Keul, Germany.

Danish Industrial Equipment A/S exercises control.

Group structure

The Company is included in the consolidated financial statements of Givesco A/S of which Jens og Mary Antonie Eskildsens Mindefond, Give is the parent company.

Related party transactions are at an arm's length.

14 Appropriation of profit/loss

DKK'000	2016	2015
Proposed dividend	0	0
Transferred to equity reserve	2,370	6,654
	2,370	6,654