

Leighton Foods A/S

Blomstervej 16, DK-8381 Tilst

CVR no. 27 39 21 48

Annual report 2017

(14th financial year)

Presented and approved at the Company's annual general meeting on 19 April 2018

Chairman:

A handwritten signature in blue ink is written over a horizontal dotted line. The signature is stylized and appears to be a single name.

The following is a translation of an original Danish document. The original Danish document is the governing document for all purposes, and in case of any discrepancy, the Danish wording will be applicable.

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Statement by the Board of Directors and the Executive Board

We have discussed and approved the annual report of Leighton Foods A/S for 2017.

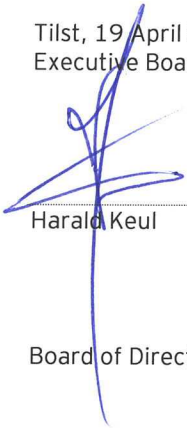
The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2017 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, 19 April 2018
Executive Board:



Harald Keul



Jørgen Kargaard Jensen

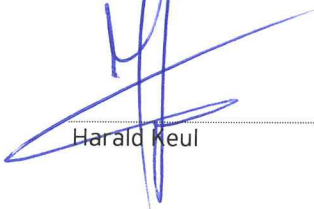
Board of Directors:



Jørn Ankær Thomsen
Chairman

Jim Trudslev

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 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including 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 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the 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.

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 as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and 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 scepticism 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.

Independent auditor's report

- ▶ 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.
- ▶ 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 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 Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Aarhus, 19 April 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Klaus Skovsen
State Authorised
Public Accountant
MNE no.: mne30204



Michael Dahl Christiansen
State Authorised
Public Accountant
MNE no.: mne34515

Management's review

Financial highlights

DKK'000	2017	2016	2015	2014	2013
Key figures					
Gross profit	18,726	14,751	20,895	24,829	21,213
Ordinary operating profit	7,043	3,332	8,908	12,877	9,632
Profit/loss from financial income and expenses	-283	-267	-299	-426	-1,048
Profit for the year	5,252	2,370	6,654	9,526	6,664
Balance sheet					
Total assets	69,131	66,794	63,810	41,471	26,834
Investment in property, plant and equipment	2,099	3,285	25,949	14,062	322
Equity	28,511	23,259	20,889	14,337	4,526
Financial ratios					
Equity ratio	41.2%	34.8%	32.7%	34.6%	16.9%
Return on equity	20.3%	10.7%	37.8%	101.0%	558.1%
Personnel					
Average number of full-time employees	30	22	20	18	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.

The financial ratios are calculated as follows:

Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit after tax} \times 100}{\text{Average equity}}$

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 6,760 thousand which is considered satisfactory.

Profit for the year after tax of DKK 5,252 thousand is transferred to equity, which then totals DKK 28,511 thousand.

Outlook

Sales for the year, which developed positively compared to 2016, are expected to reach the same level in 2018.

2018 is considered a year of consolidation after which, development is expected to further improve in 2019.

The Company expects its cash position to continue to develop positively in 2018.

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 2017.

Financial statements 1 January - 31 December

income statement

Note	DKK'000	2017	2016
2	Gross profit	18,726	14,751
	Selling and distribution costs	-4,626	-4,677
	Administrative expenses	-7,057	-6,742
	Profit before net financials, etc.	7,043	3,332
3	Financial income	179	208
4	Financial expenses	-462	-475
	Profit before tax	6,760	3,065
5	Tax on profit for the year	-1,508	-695
	Profit for the year	5,252	2,370
	Appropriation of profit/loss		
	Proposed dividend	0	0
	Retained earnings	5,252	2,370
		5,252	2,370

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2017	2016
	ASSETS		
	Fixed assets		
6	Intangible assets		
	Right of use and licenses	0	0
	Trademarks	0	0
		<u>0</u>	<u>0</u>
7	Property, plant and equipment		
	Plant and machinery	34,678	32,132
	Fixtures and fittings and other plant	15	30
	Property, plant and equipment under construction	0	7,548
		<u>34,693</u>	<u>39,710</u>
	Total fixed assets	<u>34,693</u>	<u>39,710</u>
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	4,252	4,602
	Finished goods and goods for resale	3,753	2,815
		<u>8,005</u>	<u>7,417</u>
	Receivables		
	Trade receivables	16,246	17,169
	Receivables from group entities	1,564	1,189
	Other receivables	8,621	1,304
		<u>26,431</u>	<u>19,662</u>
	Cash	<u>2</u>	<u>5</u>
	Total non-fixed assets	<u>34,438</u>	<u>27,084</u>
	TOTAL ASSETS	<u><u>69,131</u></u>	<u><u>66,794</u></u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2017	2016
	EQUITY AND LIABILITIES		
	Equity		
8	Share capital	500	500
	Retained earnings	28,011	22,759
	Total equity	<u>28,511</u>	<u>23,259</u>
	Provisions		
9	Deferred tax	1,493	1,405
	Liabilities		
	Non-current liabilities		
10	Finance lease obligations	10,166	16,169
	Current liabilities		
10	Finance lease obligations	2,069	2,671
	Bank loans and overdrafts	10,900	2,099
	Trade payables	12,263	14,302
	Payables to group entities	987	629
	Other payables	2,742	6,260
	Total liabilities	<u>28,961</u>	<u>25,961</u>
	TOTAL EQUITY AND LIABILITIES	<u>69,131</u>	<u>66,794</u>

- 1 Accounting policies
- 11 Staff matters
- 12 Contingent liabilities and contractual obligations
- 13 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Total
	Balance at 1 January 2016	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
	Balance at 1 January 2017	500	22,759	23,259
14	Transfer, see "Appropriation of profit/loss"	0	5,252	5,252
	Balance at 31 December 2017	500	28,011	28,511

Financial statements 1 January - 31 December

Notes

1 Accounting policies

The annual report of Leighton Foods A/S for 2017 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.

The financial statements have been prepared in accordance with the same accounting policies as 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.

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.

Financial statements 1 January - 31 December

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1 Accounting policies (continued)

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.

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.

Financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

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.

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.

Financial statements 1 January - 31 December

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1 Accounting policies (continued)

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.

Financial statements 1 January - 31 December

Notes

DKK'000	2017	2016
2 Depreciation, amortisation and impairment losses		
Depreciation and amortisation are included in the below items:		
Gross profit	7,074	6,648
Administrative expenses	4	2
	<u>7,078</u>	<u>6,650</u>
3 Financial income		
Other financial income	179	208
	<u>179</u>	<u>208</u>
4 Financial expenses		
Other financial expenses	462	475
	<u>462</u>	<u>475</u>
5 Tax on profit for the year		
Expected income tax for the year (joint taxation contribution)	1,420	1,046
Adjustment of deferred tax for the year	88	-351
Tax on profit for the year	<u>1,508</u>	<u>695</u>

Financial statements 1 January - 31 December

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6 Intangible assets

DKK'000	Right of use and licences	Trade- marks	Total
Cost at 1 January 2017	359	579	938
Additions for the year	0	0	0
Disposals for the year	0	0	0
Cost at 31 December 2017	359	579	938
Amortisation at 1 January 2017	-359	-579	-938
Amortisation for the year	0	0	0
Amortisation, disposals for the year	0	0	0
Amortisation at 31 December 2017	-359	-579	-938
Carrying amount at 31 December 2017	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 2017	62,077	637	7,548	70,262
Transferred	7,548	0	-7,548	0
Additions for the year	2,099	0	0	2,099
Disposals for the year	-124	-513	0	-637
Cost at 31 December 2017	71,600	124	0	71,724
Depreciation at 1 January 2017	-29,945	-607	0	-30,552
Depreciation for the year	-7,063	-15	0	-7,078
Depreciation, disposals for the year	86	513	0	599
Depreciation at 31 December 2017	-36,922	-109	0	-37,031
Carrying amount at 31 December 2017	34,678	15	0	34,693
Thereof re. finance lease	13,577	0	0	13,577

Financial statements 1 January - 31 December

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8 Equity

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

9 Deferred tax

Deferred tax relates to operating equipment and inventories.

DKK'000	2017	2016
Deferred tax at 1 January	1,405	1,756
Changes in the year of deferred tax	88	-351
Deferred tax at 31 December	1,493	1,405

10 Finance lease obligations

Finance lease obligations:

	DKK'000
Within 1 year	2,069
Between 1 and 5 years	9,916
After 5 years	250
	12,235

11 Staff matters

DKK'000	2017	2016
Wages and salaries	13,846	11,575
Pension contributions	938	752
Other social security costs	325	230
	15,109	12,557
Average number of employees	30	22
Executive Board remuneration	2,311	2,272

Financial statements 1 January - 31 December

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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 173 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	2017	2016
Transferred to equity reserve	5,252	2,370