

Leighton Foods A/S

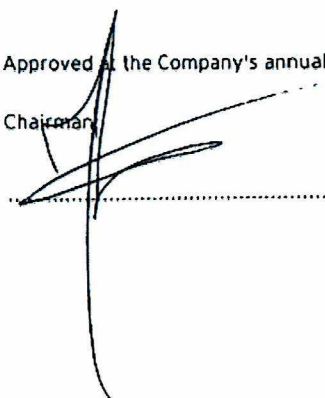
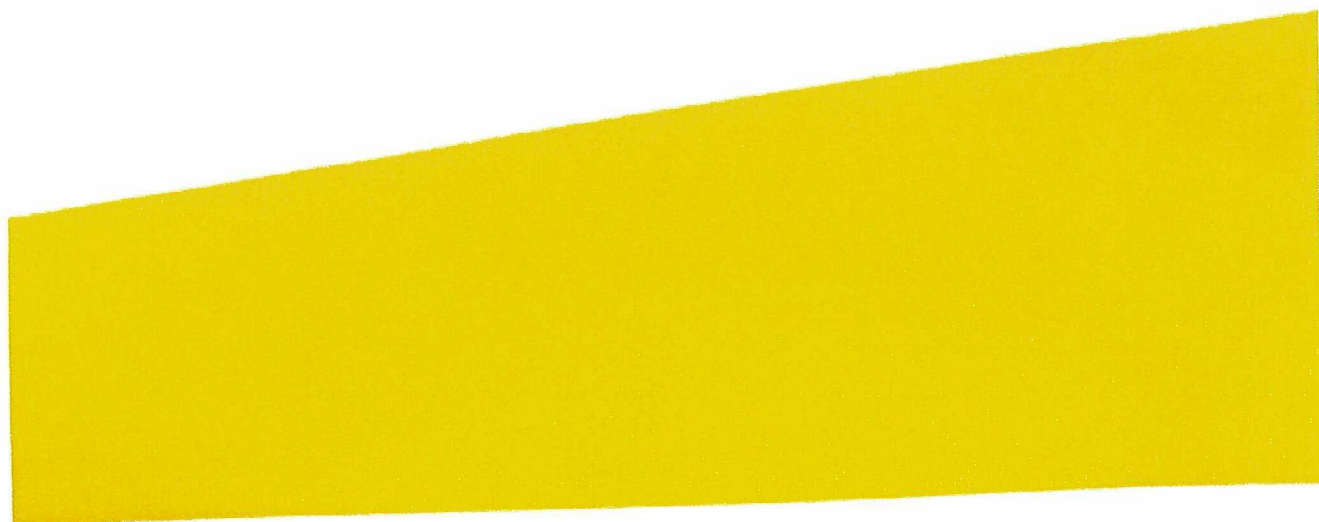
Blomstervej 16, DK-8381 Tilst

CVR no. 27 39 21 48

Annual report 2019
(16th financial year)

Approved at the Company's annual general meeting on 19 May 2020

Chairman

A handwritten signature in black ink, consisting of several overlapping loops and a long vertical stroke extending downwards. The signature is written over a horizontal dotted line.

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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 2019.

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 2019 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 May 2020
Executive Board:




Jørgen Kargaard Jensen

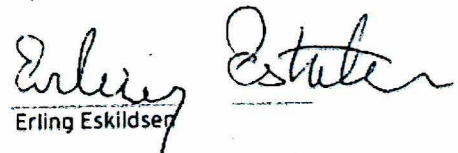
Board of Directors:



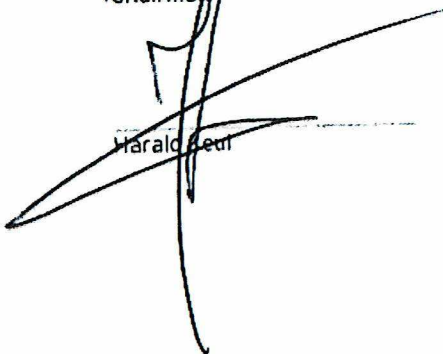
Jørn Anker Thomsen
Chairman



Kenneth Eskildsen



Erling Eskildsen



Harald Beier

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 2019, 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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 May 2020

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Claus Hammer-Pedersen
State Authorised
Public Accountant
mne21334



Michael Dahl Christiansen
State Authorised
Public Accountant
mne34515

Management's review

Financial highlights

DKK'000	2019	2018	2017	2016	2015
Key figures					
Gross profit	20,778	17,991	18,726	14,751	20,895
Ordinary operating profit	7,874	5,053	7,043	3,332	8,908
Profit/loss from financial income and expenses	555	166	-283	-267	-299
Profit for the year	6,548	4,052	5,252	2,370	6,654
Total assets					
Investment in property, plant and equipment	8,543	1,155	2,099	3,285	25,949
Equity	39,111	32,563	28,511	23,259	20,889
Financial ratios					
Equity ratio	63.7%	58.0%	41.2%	34.8%	32.7%
Return on equity	18.3%	13.3%	20.3%	10.7%	37.8%
Average number of full-time employees					
	30	29	30	22	20

In 2016, the Company changed its accounting policies, and consequently, production overheads are recognised in inventories.

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 8,429 thousand which is considered satisfactory.

Profit for the year after tax totalled DKK 6,548 thousand. Equity then totalled DKK 39,111 thousand of which DKK 5,000 thousand is proposed to be distributed as dividend.

Outlook

Revenue for the year, which showed a positive development compared with 2018 is expected to reach a slightly lower level in 2020.

Investments in future capacity and market development continues in 2020, and consequently, the Company expects to report a positive, but somewhat lower profit for 2020 than the one realised in 2019.

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 2019.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2019	2018
2	Gross profit	20,778	17,991
	Selling and distribution costs	-5,131	-5,364
	Administrative expenses	-7,773	-7,574
	Profit before net financials, etc.	7,874	5,053
	Financial income	700	422
	Financial expenses	-145	-256
	Profit before tax	8,429	5,219
3	Tax on profit for the year	-1,881	-1,167
	Profit for the year	6,548	4,052
	Appropriation of profit/loss		
	Proposed dividend	5,000	0
	Retained earnings	1,548	4,052
		6,548	4,052

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2019	2018
	ASSETS		
	Fixed assets		
4	Property, plant and equipment		
	Plant and machinery	23,237	28,084
	Fixtures and fittings and other plant	7	11
	Property, plant and equipment in the course of construction	6,975	0
		<u>30,219</u>	<u>28,095</u>
	Total fixed assets	<u>30,219</u>	<u>28,095</u>
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	4,889	5,037
	Finished goods and goods for resale	4,235	2,573
		<u>9,124</u>	<u>7,610</u>
	Receivables		
	Trade receivables	17,865	14,238
	Receivables from group entities	1,188	1,544
	Other receivables	2,514	4,157
		<u>21,567</u>	<u>19,939</u>
9	Cash	505	507
	Total non-fixed assets	<u>31,196</u>	<u>28,056</u>
	TOTAL ASSETS	<u><u>61,415</u></u>	<u><u>56,151</u></u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2019	2018
	EQUITY AND LIABILITIES		
	Equity		
5	Share capital	500	500
	Retained earnings	33,611	32,063
	Proposed dividends	5,000	0
	Total equity	39,111	32,563
	Provisions		
6	Deferred tax	859	610
	Liabilities		
	Non-current liabilities		
7	Finance lease obligations	2,096	2,853
7	Other payables	202	0
		2,298	2,853
	Current liabilities		
7	Finance lease obligations	757	746
	Bank loans and overdrafts	1,632	4,492
	Trade payables	8,424	7,812
	Payables to group entities	5,810	3,574
	Other payables	2,524	3,501
		19,147	20,125
	Total liabilities	21,445	22,978
	TOTAL EQUITY AND LIABILITIES	61,415	56,151

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

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Proposed dividends	Total
	Balance at 1 January 2018	500	28,011	0	28,511
13	Transfer, see "Appropriation of profit/loss"	0	4,052	0	4,052
	Balance at 31 December 2018	500	32,063	0	32,563
	Balance at 1 January 2019	500	32,063	0	32,563
13	Transfer, see "Appropriation of profit/loss"	0	1,548	5,000	6,548
	Balance at 31 December 2019	500	33,611	5,000	39,111

Financial statements 1 January - 31 December

Notes

1 Accounting policies

The annual report of Leighton Foods A/S for 2019 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 Givisco Group's Danish subsidiaries. Givisco 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. Depreciation 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

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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.

DKK'000	2019	2018
2 Depreciation, amortisation and impairment losses		
Depreciation and amortisation are included in the below items:		
Gross profit	6,415	7,749
Administrative expenses	4	4
	6,419	7,753
3 Tax on profit for the year		
Adjustment of income tax previous year (joint taxation)	0	1,164
Adjustment of deferred tax previous year	0	-1,164
Expected income tax for the year (joint taxation contribution)	1,632	886
Adjustment of deferred tax for the year	249	281
Tax on profit for the year	1,881	1,167

Financial statements 1 January - 31 December

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4 Property, plant and equipment

DKK'000	Plant and machinery	Fixtures and fittings and other plant	Property, plant and equipment in the course of construc- tion	Total
Cost at 1 January 2019	65,661	124	0	65,785
Additions for the year	1,568	0	6,975	8,543
Disposals for the year	0	0	0	0
Cost at 31 December 2019	67,229	124	6,975	74,328
Depreciation at 1 January 2019	-37,577	-113	0	-37,690
Depreciation for the year	-6,415	-4	0	-6,419
Depreciation, disposals for the year	0	0	0	0
Depreciation at 31 December 2019	-43,992	-117	0	-44,109
Carrying amount at 31 December 2019	23,237	7	6,975	30,219
Thereof finance leases	2,542	0	0	2,542

5 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.

6 Deferred tax

Deferred tax relates to operating equipment and inventories.

DKK'000	2019	2018
Deferred tax at 1 January	610	1,493
Adjustment of deferred tax previous year	0	-1,164
Changes in the year of deferred tax	249	281
Deferred tax at 31 December	859	610

Financial statements 1 January - 31 December

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7 Non-current liabilities

DKK'000	Finance lease	Other payables
Within 1 year	757	0
Between 1 and 5 years	2,096	202
After 5 years	0	0
	<u>2,853</u>	<u>202</u>

8 Staff matters

DKK'000	2019	2018
Wages and salaries	14,814	13,874
Pension contributions	980	960
Other social security costs	362	332
	<u>16,156</u>	<u>15,166</u>
Average number of employees	<u>30</u>	<u>29</u>
Executive Board remuneration	<u>2,554</u>	<u>2,572</u>

9 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 administration 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 457 thousand. The Company has a lease contract with a group entity with lease commitments in the non-cancellable period of DKK 555 thousand. The Company has provided a bank deposit of DKK 500 thousand as collateral for payment of deposit charges.

Financial statements 1 January - 31 December

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10 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.

Transactions with related parties

DKK'000	2019	2018
Sale of goods to group entities	17,978	18,596
Sale of goods to associates to the Givesco Group	1,587	908
Goods purchased from group entities	38,974	8,640
Goods purchased from associates to the Givesco Group	9,742	14,414
Rent paid to group entities	2,221	2,221
Purchase of group services from group entities	640	374
Purchase/sale of fixed assets from/to group entities	1,210	0
Interest income from associates to the Givesco Group	7	233
Receivables from group entities	1,188	1,544
Receivables from associates to the Givesco Group has significant influence	270	1,837
Payables to associates over which the Givesco Group	5,810	3,575

Remuneration of the Executive Board and the Board of Directors is stated in note 8.

11 Appropriation of profit/loss

Proposed profit appropriation:

DKK'000	2019	2018
Proposed dividends	5,000	0
Transferred to equity reserve	1,548	4,052
	<u>6,548</u>	<u>4,052</u>