

## **Anpartsselskabet af 9. September 2010**

Avderødvej 27 C  
2980 Kokkedal  
Central Business Registration  
No 33151705

## **Annual report 01.10.2016 - 30.09.2017**

The Annual General Meeting adopted the annual report on 01.03.2018

### **Chairman of the General Meeting**

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Name: Esben Bay Jørgensen

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## Entity details

### Entity

Anpartsselskabet af 9. September 2010  
Avderødvej 27 C  
2980 Kokkedal

Central Business Registration No (CVR): 33151705  
Registered in: Fredensborg  
Financial year: 01.10.2016 - 30.09.2017

### Executive Board

Esben Bay Jørgensen  
Jacob Østergaard Bergenholtz  
Jesper Wadum Nielsen

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab  
City Tower, Værkmestergade 2  
8000 Aarhus C

## Statement by Management on the annual report

The Executive Board have today considered and approved the annual report of Anpartsselskabet af 9. September 2010 for the financial year 01.10.2016 - 30.09.2017.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.09.2017 and of the results of its operations and cash flows for the financial year 01.10.2016 - 30.09.2017.

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

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

Aarhus, 01.03.2018

### Executive Board

Esben Bay Jørgensen

Jacob Østergaard Bergenholtz

Jesper Wadum Nielsen

## Independent auditor's report

### To the shareholders of Anpartsselskabet af 9. September 2010

#### Opinion

We have audited the consolidated financial statements and the parent financial statements of Anpartsselskabet af 9. September 2010 for the financial year 01.10.2016 - 30.09.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement . The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2016, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

#### Basis for opinion

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

#### Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity 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 financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 applicable in Denmark will always detect a material misstatement when it exists. Misstatements

## Independent auditor's report

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 these consolidated financial statements and parent 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 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 Entity'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 consolidated financial statements and the parent 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 Entity'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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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.

## Independent auditor's report

### Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Aarhus, 01.03.2018

### **Deloitte**

Statsautoriseret Revisionspartnerselskab  
Central Business Registration No (CVR) 33963556

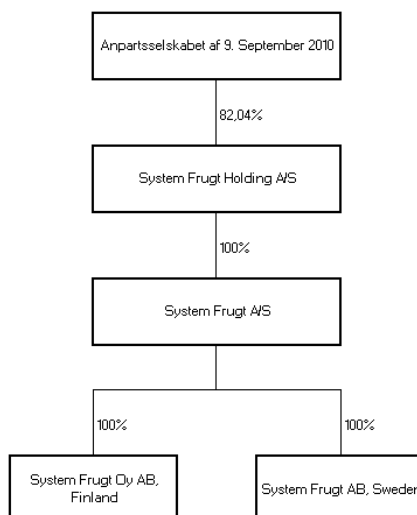
Jacob Nørmark  
State Authorised Public Accountant  
Identification No (MNE) mne30176

## Management commentary

	<b>2016/17</b> <b>DKK'000</b>	<b>2015/16</b> <b>DKK'000</b>	<b>2014</b> <b>DKK'000</b>	<b>2013</b> <b>DKK'000</b>	<b>2012</b> <b>DKK'000</b>
<b>Financial highlights</b>					
<b>Key figures</b>					
Revenue	511.249	638.840	650.916	653.488	559.749
Gross profit/loss	73.514	83.051	115.499	119.146	101.810
Operating profit/loss	(26.087)	(17.332)	15.423	10.445	12.705
Net financials	(10.992)	(9.963)	(9.059)	(8.924)	(9.070)
Profit/loss for the year	(36.628)	(23.920)	3.530	148	47
Total assets	288.384	324.921	391.579	384.863	377.820
Investments in property, plant and equipment	5.614	16.446	19.918	13.582	0
Equity incl minority interests	30.162	65.312	87.375	75.200	45.327
Average numbers of employees	204	232	247	247	234
<b>Ratios</b>					
Gross margin (%)	14,4	13,0	17,7	18,2	18,2
Net margin (%)	(7,2)	(3,7)	0,5	0,0	0,0
Return on equity (%)	(76,7)	(31,3)	4,3	0,2	0,1
Equity ratio (%)	10,5	20,1	22,3	19,5	12,0
Revenue per employee	2.506,1	2.753,6	2.635,3	2.645,7	2.392,1

During the financial year 2016/17, the Group has sold Crispo Denmark ApS, which has led to the termination of activity. Crispo Denmark ApS is therefore included in the consolidated and parent financial statements as a discontinued activity. No comparison has been made with comparative figures, so the figures for the year are not directly comparable with previous year.

### Group structure



\* Crispo Denmark ApS and System Multifood Ltd. are sold in the year.



## Management commentary

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

<b>Ratios</b>	<b>Calculation formula</b>	<b>Calculation formula reflects</b>
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity incl minority interests}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity incl minority interests} \times 100}{\text{Total assets}}$	The financial strength of the entity.
Revenue per employee	$\frac{\text{Revenue}}{\text{Average number of employees}}$	The entity's productivity

## Management commentary

### Primary activities

Anpartsselskabet af 9. September 2010 is the parent of a number of companies in the System Frugt Group, and its primary activity is to be a holding company and to provide the financing of the Group.

The Group's primary activities comprise:

- Develop, source, pack and supply the Nordic and Dutch market with naturally healthy consumer products based on dried fruits, nuts, seeds, pulses, natural snacks and fresh specialties.
- Our products are marketed under the brand "Earth Control" and our customers own labels.

At 30 September 2017, the Group consists of the following companies:

- Anpartsselskabet af 9. September 2010, Denmark
- System Frugt Holding A/S, Denmark
- System Frugt A/S, Denmark
- Crispo Denmark ApS, Denmark (divested end of September 2017)
- System Multifood Ltd, Turkey (divested end of March 2017)
- System Frugt AB, Sweden
- System Frugt Oy AB, Finland

### Development in activities and finances

The year has been a year of focussing the business at the core value creating activities. The core activities are defined as building the brand Earth Control towards the Nordic consumers and strengthening the partnerships with major Nordic and Dutch retailers as the first choice in natural dried products. The consequence has been a significant reduction of the Fresh Fruit packing activity that adds little value. A joint venture with our Turkish partner including a hand over of our Turkish factory creates a clearer focus, a faster route to market and reduced fixed costs. A finally In order to further strengthen the focus on the green segment and healthy snacking it was decided to divest the crisps factory Crispo. The financial year is therefore characterised by decline in turnover compared to last year. Total revenue ended at DKK 511.249k (2015/16: DKK 638.840k), which is 20% down on last year. The decrease can be attributed to fresh fruit and vegetables and crisps whereas dried products experienced growth.

Gross margin is realized at 14,4% which is 1,4% above last year. The significant increase reflects the refocussing of the business activities as well as efforts made in the procurement and sales departments. Fixed costs of administration and distribution is reduced by DKK 5.301k and the average number of employees was brought down by 28 to 204. This reflect the restructurings made to prepare the Group to the future.

The combination of lower sales, restructurings and divestiture of assets are the mains reasons for realization of an operating profit of DKK -26.087k (2015/16: DKK -17.332k).

The tax on profit of DKK -889k include a significant tax on accumulated earnings from the Turkish company System Multi Fruit. Profit after tax for the year amounts to DKK -37.968k (2015/16 DKK -23.920k). Profit from discontinued operations amounts to DKK 1.340k (2015/16: DKK 0k), which brings us to a total loss for the year at DKK -36,628k (2015/16: DKK -23.920k).

## Management commentary

The financial performance for the year is considered very unsatisfying.

### Investments

In the financial year, investments amounted to DKK 5.614 (2015/16: DKK 16.446k). The main investment is in a new production line, where production will start in the beginning of the new financial year. Other investments have primarily been made in production equipment, IT infrastructure and software.

As part of the restructuring to focus the activities and to get a more stringent ownership structure of assets, System Frugt A/S has sold the trademark rights of Earth Control to System Frugt Holding A/S.

### Financial resources

The equity ratio is 10.5% (2015/16: 20.1%), equivalent to equity at 30 September 2017 of DKK 30,162k (2016: DKK 65,312k)

### Outlook

Revenue is expected to decline further in the forthcoming financial year due to the annualized effect of discontinued activities, whereas gross margins are expected to increase slightly. Fixed costs are expected to be at a significant lower level. As a whole the financial performance is expected to show an improvement. For the coming financial year a net result in the level of breakeven is expected. This is an improvement compared to current year result adjusted for one-time impact of sale of trademark.

### Particular risks

#### Price risks:

The Group's most significant operating risk relates to the development in raw material prices and the possibility of passing on increases to sales prices. The Company has well-developed policies and procedures to reduce these price risks.

#### Exchange rate risks:

A considerable part of the Company's purchase is made in USD, which results in a risk of exchange rate fluctuations and a derived impact on financial performance, equity and cash flows. It is the Company's policy to hedge these commercial foreign exchange risks mainly by using forward exchange contracts or options.

### Capital structure

Anpartsselskabet 9. September 2010's share capital is divided into share classes.

Management assesses on a regular basis whether the Company and the Group have an adequate capital structure, and Management assesses on a continuing basis whether the Company's capital structure is consistent with the Company's and its stakeholders' interests. The general objective is to ensure a capital structure that supports long-term and profitable growth.

At 30 September 2017, the Group's net interest-bearing debt amounts to DKK 149,417k (at 30 September 2016: DKK 149,016k), which is considered a reasonable level compared to the actual need for financial flexibility.

In connection with BWB Partners' acquisition of the System Frugt Group in 2010, part of the purchase price

## Management commentary

was financed by a loan from Jyske Bank, which shows an outstanding debt of DKK 30,000k at 30 September 2017 (at 30 September 2016: DKK 50,000k), and which is placed in System Frugt Holding A/S.

It is Management's assessment that the present capital structure provides the necessary flexibility to meet the Company's future strategy.

### Intellectual capital resources

System Frugt A/S is BRC-certified and has implemented a well-functioning quality control system, which is developed on a regular basis. Moreover, the Company has built considerable knowledge about the individual products and their sourcing.

### Staff

System Frugt A/S constantly invests in development and marketing of new products and to optimise methods and processes.

### Corporate governance

The Board of Directors and the Executive Board of System Frugt Holding A/S continuously aim at ensuring that the Group's management structure and control systems are appropriate and well-functioning.

The foundation for organising Management's tasks includes the Danish Companies Act, the Danish Financial Statements Act, the Company's Articles of Association, policies approved by the Board of Directors as well as good practice for enterprises of the same size as System Frugt Holding A/S.

As a company owned by a private equity fund, the group must also follow the DVCA recommendations and guidelines for responsible ownership and corporate governance. It is Management's assessment that these recommendations are generally followed. However, we only partly follow the recommendations on the following points:

- The reporting on the Company's internal control and risk management system has merely been described on an overall level.

Please refer to [www.dvca.dk](http://www.dvca.dk) for further information on the guidelines. The Board of Directors ensures that the Executive Board observes the objectives, strategies and business processes laid down by the Board of Directors.

System Frugt Holding A/S has established a formal group reporting process comprising a monthly reporting process, which includes budget follow-up, performance assessment and achievement of adopted goals etc. The reporting is assessed at directors' and chairman's meetings.

The Board of Directors of the System Frugt Group convenes at least five times a year based on a fixed meeting schedule. Furthermore, the Chairman and the CEO have meetings at least once every month. Extraordinary meetings will be convened if necessary.

The Board of Directors has decided not to appoint a separate audit committee.

## Management commentary

### Ownership information

Anpartsselskabet af 9. September 2010 is the parent of System Frugt Holding A/S with underlying subsidiaries, and its owners are:

- BWB Partners with a 100% ownership interest

### Employees

In the financial year 2016/17, the Group has had an average of 204 employees (2014/15: 232). 168 of this average are employed with the Danish companies (2015/16: 178) and 36 with the foreign companies (2015/16: 54).

System Frugt A/S constantly invests in development and marketing of new products in order to optimise methods and processes.

### Board of Directors

At 30 September 2017, the Board in System Frugt Holding A/S consisted of five members:

Name	Tim Ørting Jørgensen	Esben Bay Jørgensen	Jacob Ø. Bergeholtz	Jørgen Danielsen
Position on the board	Chairman	Member	Member	Member
Entry date	01.01.2016	09.09.2010	08.03.2016	30.09.2010
Current position	Executive Vice President, International, Arla Foods	Partner, BWB Partners P/S	Managing Partner, BWB Partners P/S	Director
Managing director		Anpartsselskabet af 31. oktober 2007, Anpartsselskabet af 14. oktober 2013, Anpartsselskabet af 28. marts 2007, Anpartsselskabet af 4. juli 2008, Anpartsselskabet af 1. december 2011, Anpartsselskabet af	Anpartsselskabet af 31. oktober 2007, BWB Partners GP ApS, BWB Partners P/S, CIPP Technology Solutions A/S, Anpartsselskabet af 16. november 2015, Anpartsselskabet af 14. oktober	Kolding Retail Holding ApS, Emsen A/S, System Frugt Estate A/S, System Estate A/S, Jørgen Danielsen ApS, Casablanca Aarhus ApS, Aarhus City Hostel A/S

## Management commentary

		18. april 2012, Anpartsselskabet af 9. september 2010, Anpartsselskabet af 28. juni 2012, Anpartsselskabet af 7. juni 2007, EBJ ApS, Bay & co. invest ApS, BWB Partners GP ApS, BWBP CIV GP ApS, Anpartsselskabet af 16. november 2015, Holdingselskabet af 27. marts 2017 ApS.	2013, Anpartsselskabet af 1. december 2011, Anpartsselskabet af 18. april 2012, Anpartsselskabet af 9. september 2010, Anpartsselskabet af 28. juni 2012, JB1 ApS, Anpartsselskabet af 28. marts 2007, Anpartsselskabet af 4. juli 2008, Anpartsselskabet af 7. juni 2007, BWBP CIV GP ApS, CIPP Technology Holding ApS.	
Chairman	System Frugt A/S, System Frugt Holding A/S	Crispo Denmark ApS, Moep A/S, Jack-Up Holding A/S, Holdingselskabet af 27. marts 2017 ApS.	Envikraft Invest A/S, WEISS A/S, Envikraft A/S, ODIN equity partners management II K/S, 14. Oktober 2013 A/S	Ejendoms-selskabet Finsensvej 19 A/S, Kolding Retail A/S, Nine Eyewear A/S, Triofrugt Holding A/S, Triofrugt ApS
Vice Chairman			28. juni 2012 II A/S, SH group A/S, CIPP Technology Holding ApS	

## Management commentary

Board member	Royal Greenland A/S, Cocio Chokolade mælk A/S.	ZITON A/S, 28. juni 2012 II A/S, ODIN General Partner II Fonden, ODIN Equity Partners Management II K/S, Hydratech Industries A/S, HTHH ApS, Qubiqqa Esbjerg A/S, SH Group A/S, BWB Partners P/S, System Frugt A/S, System Frugt Holding A/S, Hydratech Industries A/S	STEMA Holding A/S, 28. Juni 2012 II A/S, SH Group A/S, System Frugt A/S, System Frugt Holding A/S, CIPP Technology Holding ApS, BWBP Fonden, BWP Partners P/S, CIP Technology Solutions A/S, 14. Oktober 2013 A/S, Jack-Up Holding A/S, Moep A/S.	Omega 3 erhverv A/S, Emsen A/S, System Frugt Estate A/S, Peter Sabroe Gade Holding ApS, Ejendomselskabet 24.10.2013 ApS, System Estate A/S, K/S Sorø, System Frugt A/S, System Frugt Holding A/S, Eventyr Invest A/S, Selskabet af 22. april 2014 ApS, Aarhus City Hostel A/S, Lange-linieparken Holding A/S, Lange-linieparken Århus AS
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### Environmental performance

The Company does not run any business resulting in dangerous or special impacts on the external environment. It is environmentally conscious and seeks to reduce the environmental impacts from operations.

### Research and development activities

System Frugt A/S constantly invests in development and marketing of new products and to optimize methods and processes.

### Statutory report on corporate social responsibility

In our daily operations, we focus on acting responsibly towards our surrounding society and the environment. This section contains our disclosure on Corporate Social Responsibility according to §99a and §99b of the Danish Financial Statements Act during the financial year 2016/17.

## Management commentary

### Corporate social responsibility:

We are a member of the **UN Global Compact** that sets a structured, high standard for worldwide CSR. To promote the UN Global Compact, we have joined the **BSCI Code of Conduct** – a practical set of principles and values referring to the UN Global Compact conventions to improve working conditions in the supply chain. By joining BSCI, we have committed ourselves to promote the **11 principles of the Code of Conduct** in our supply chain.

1.The Rights of Freedom of Association and Collective Bargaining.

2. No Discrimination

3.Fair Remuneration

4. Decent Working Hours

5.Occupational Health and Safety

6.No Child Labor

7.Special Protection for Young Workers

8.No Precarious Employment

9.No Bonded Labor

10.Protection of the Environment

11.Ethical Business

We constantly guide and encourage our suppliers to improve themselves in order to become more responsible. For instance, we always ask suppliers to sign the BSCI Code of Conduct when we enter into a partnership with them. We dedicate resources in our Quality and Sourcing departments to visit our suppliers on a scheduled regular basis in order to monitor and test the quality of our products

In our opinion the strengthened efforts in this field in 2017 has contributed to a still higher level of social responsibility amongst our suppliers.

### People

We employ people directly and indirectly in every link of our supply chain all over the world. Naturally, it can be challenging to ensure that employees have the same working conditions all over the world, but we encourage and guide our suppliers to look after their employees in accordance with the Global Compact and BSCI principles.



## Management commentary

By sourcing our products locally at small farms, we bring an economic incentive to the local farming enterprises in many developing countries. A local farmer growing their business allows for economic and technical development, while improving living and working conditions for employees and suppliers as well.

At System Frugt in Denmark, we are proud of our highly dedicated employees, who come from a large variety of different backgrounds. We constantly work to improve the work environment in all of our departments. Among other things, we receive staff feedback *every day* to ensure a positive environment with focus on safety and well-being. We also have a dedicated internal "Safety Team" working proactively to prevent work accidents. In addition, we have a long-term partnership with the social enterprise [Borup Pakkeri](#) for special packaging tasks, and we take responsibility in integrating refugees into Danish society by offering language training courses, internships and education.

In 2017 this initiative resulted in the company receiving a diploma for being the best regional company in the Aarhus region at integrating foreign language employees.

### Environment and climate

Nature is our most important supplier, and we should leave it in a better state than we found it. We are continuously taking steps to reduce our ecological footprint. Among other things, we work with environmentally friendly initiatives such as changing to energy-saving lighting and compressors, only using RSPO-certified palm oil, reducing transport of products as well as reducing packaging material.

We also encourage consumers to ENJOY NATURALLY by promoting a greener lifestyle with natural foods such as nuts, dried fruits and greens as their main source of nutrition. Green and vegetable-based food is more environmentally friendly as it creates far less CO<sub>2</sub> emissions than other food sources such as meat or processed foods.

One of our initiatives within this area is a business sponsorship agreement with the World Wildlife Fund, WWF. The reason for this initiative is that our products are primarily sourced from raw materials found in nature across the world – raw materials that need nature's scarce resources to be maintained. Hereby, we too want to contribute to WWF's nature conservation programs to help ensure long-term sustainability. During the fiscal year of 2016/17, an amount of DKK 1.000.000 has been donated and sponsored to WWF from our Earth Control® product campaigns, which were launched during the summer in Finland and Denmark. System Frugt as a group is working to develop a Nordic cooperation with WWF on product campaigns.

From 1 January 2015, we ceased using palm oil direct in our products, converting to the use of the less environmentally harmful sunflower oil. Other products continuing to rely on palm oil have switched to 100% RSPO-certified palm oil.

New and improved policy on the environment and climate area has been implemented during 2017.

### Ethical Business

Sourcing globally entails dealing with ethical business issues. It is challenging to ensure that all our conditions relating to labor rights, human rights, environment and anti-corruption are met by our suppliers, but we are definitely on the right track thanks to our work with the BSCI Code of Conduct. To System Frugt ensuring sustainability also means working systematically with the environment.

## Management commentary

If you want to know more about our sustainability efforts, please refer to:

<http://systemfrugt.dk/wp-content/uploads/2014/08/We-Care-Share.pdf>

### **Statutory report on the underrepresented gender**

In accordance with §99b, Anpartsselskabet af 9. September 2010 has drawn up a policy for gender diversity in the management bodies with the aim to ensure more female representatives in the executive Board.

None of the three seats on the Executive Board is currently held by a woman. It is the Company's objective to have at least 1 female member before 2019. The process of recruiting female members has already been initiated through internal as well as external recruitment, where relevant candidates of each gender should be considered for management positions.

Likewise in accordance with §99b, System Frugt A/S and System Frugt Holding A/S has drawn up a policy for gender diversity in the management bodies of the Company and Group with the aim to ensure more female representatives on both the Board of Directors and at other management levels of the organization.

None of the seats on the Board of Directors is currently held by a woman, which equals a share of 0%. (2016/17 16,6%) It is the Company's objective to have at least 2 female members before 2018. We are on a continuous basis working towards this objective, but there have not been hired any new members to the board of directors in this financial year.

The top management of the Company consists of five members, all male. The Extended Management Group consist of 24 members including the top management. Currently, there are 10 female members of the Extended Management Group. The Company has implemented a policy for ensuring more women in management positions at System Frugt A/S, and progress is expected from future selections of vacant positions to top management. In the financial year 2016/17, there have not been any changes in the gender composition of the top management, so the initiated activities for diversity in the top management have not yet been successful. The process of recruiting female members in top management positions has already been initiated through internal as well as external recruitment, where relevant candidates of each gender should be considered for management positions.

### **Events after the balance sheet date**

After the balance sheet date, the owners of System Frugt Holding A/S have made a decision on a capital increase in System Frugt Holding A/S through a conversion of subordinate loans and also decided to merge the companies System Frugt A/S and System Frugt Holding A/S with System Frugt A/S as the surviving company.

Over the past few years, the System Frugt Group has gone through a transformation, which has built a focused business where the range of products and brand have undergone a modernisation and development. This has resulted in a number of changes in group structure and in the organisation, which has now been adjusted to the new strategic platform.

## Management commentary

The conversion and the merger have been completed after the presentation of financial statements and are thus not reflected in the financial statements. Had the conversion and the merger been completed at 30 September 2017, this would have resulted in a solvency ratio of 37.9% in System Frugt A/S.

The balance sheet of the merged company is estimated as below at 28 February 2018:

	28 February 2018
Fixed assets	152,200
Inventories	75,000
Receivables	17,000
Cash	500
<b>TOTAL ASSETS</b>	<b>244,700</b>
Equity	103,500
Provisions	1,050
Current liabilities	140,150
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>244,700</b>
<b>Solvency</b>	<b>42.3%</b>

## Consolidated income statement for 2016/17

	<u>Notes</u>	<u>2016/17 DKK'000</u>	<u>2015/16 DKK'000</u>
Revenue	1	511.249	638.840
Production costs	3	(437.735)	(555.789)
<b>Gross profit/loss</b>		<b>73.514</b>	<b>83.051</b>
Distribution costs	3	(72.124)	(76.521)
Administrative expenses	2, 3	(23.094)	(23.862)
Other operating expenses	4	(4.383)	0
<b>Operating profit/loss</b>		<b>(26.087)</b>	<b>(17.332)</b>
Other financial income		19	10
Other financial expenses		(11.011)	(9.973)
<b>Profit/loss before tax</b>		<b>(37.079)</b>	<b>(27.295)</b>
Tax on profit/loss for the year	5	(889)	3.375
<b>Profit/loss from continuing operations</b>		<b>(37.968)</b>	<b>(23.920)</b>
<b>Profit/loss from discontinued operations</b>	6	<b>1.340</b>	<b>0</b>
<b>Profit/loss for the year</b>	7	<b>(36.628)</b>	<b>(23.920)</b>

## Consolidated balance sheet at 30.09.2017

	<u>Notes</u>	<u>2016/17 DKK'000</u>	<u>2015/16 DKK'000</u>
Acquired intangible assets		1.257	1.267
Goodwill		128.582	138.798
<b>Intangible assets</b>	<b>8</b>	<b>129.839</b>	<b>140.065</b>
Plant and machinery		14.710	23.085
Other fixtures and fittings, tools and equipment		7.141	8.810
Leasehold improvements		3.551	4.657
<b>Property, plant and equipment</b>	<b>9</b>	<b>25.402</b>	<b>36.552</b>
Other investments		488	0
<b>Fixed asset investments</b>	<b>10</b>	<b>488</b>	<b>0</b>
<b>Fixed assets</b>		<b>155.729</b>	<b>176.617</b>
Manufactured goods and goods for resale		87.125	92.293
Prepayments for goods		183	3.576
<b>Inventories</b>		<b>87.308</b>	<b>95.869</b>
Trade receivables		18.482	35.061
Deferred tax	11	9.136	3.800
Other receivables		16.264	4.810
Income tax receivable		0	2.783
Prepayments	12	758	826
<b>Receivables</b>		<b>44.640</b>	<b>47.280</b>
<b>Cash</b>		<b>707</b>	<b>5.155</b>
<b>Current assets</b>		<b>132.655</b>	<b>148.304</b>
<b>Assets</b>		<b>288.384</b>	<b>324.921</b>

## Consolidated balance sheet at 30.09.2017

	<u>Notes</u>	<u>2016/17 DKK'000</u>	<u>2015/16 DKK'000</u>
Contributed capital		665	665
Retained earnings		24.263	52.885
<b>Equity attributable to the Parent's owners</b>		<b>24.928</b>	<b>53.550</b>
<b>Share of equity attributable to minority interests</b>		<b>5.234</b>	<b>11.762</b>
<b>Equity</b>		<b>30.162</b>	<b>65.312</b>
Subordinate loan capital		78.788	63.759
Bank loans		0	30.000
Finance lease liabilities		331	730
<b>Non-current liabilities other than provisions</b>	13	<b>79.119</b>	<b>94.489</b>
Current portion of long-term liabilities other than provisions	13	30.274	20.269
Bank loans		41.336	40.412
Trade payables		79.667	78.020
Income tax payable		305	0
Other payables		27.521	26.419
<b>Current liabilities other than provisions</b>		<b>179.103</b>	<b>165.120</b>
<b>Liabilities other than provisions</b>		<b>258.222</b>	<b>259.609</b>
<b>Equity and liabilities</b>		<b>288.384</b>	<b>324.921</b>
Financial instruments	14		
Unrecognised rental and lease commitments	15		
Contingent liabilities	16		
Assets charged and collateral	17		
Transactions with related parties	18		

## Consolidated statement of changes in equity for 2016/17

	<b>Contributed capital DKK'000</b>	<b>Retained earnings DKK'000</b>	<b>Share of equity attributable to minority interests DKK'000</b>	<b>Total DKK'000</b>
Equity beginning of year	665	52.885	11.762	65.312
Increase of capital	0	0	1.609	1.609
Transferred from share premium	0	8.391	0	8.391
Exchange rate adjustments	0	(4.406)	(965)	(5.371)
Value adjustments	0	(3.426)	(750)	(4.176)
Other entries on equity	0	105	0	105
Tax of entries on equity	0	753	167	920
Profit/loss for the year	0	(30.039)	(6.589)	(36.628)
<b>Equity end of year</b>	<b>665</b>	<b>24.263</b>	<b>5.234</b>	<b>30.162</b>

## Consolidated cash flow statement for 2016/17

	<u>Notes</u>	<u>2016/17 DKK'000</u>	<u>2015/16 DKK'000</u>
Operating profit/loss		(26.087)	(17.332)
Amortisation, depreciation and impairment losses		20.313	19.759
Other cash flow from operation activities		4.383	0
Profit from discontinued operations		1.340	0
Increase/decrease in inventories		7.174	20.898
Increase/decrease in receivables		2.890	49.776
Increase/decrease in trade payables etc.		463	(1.516)
<b>Cash flow from ordinary operating activities</b>		<b>10.476</b>	<b>71.585</b>
Financial income received		19	10
Financial income paid		(11.011)	(9.973)
Income taxes refunded/(paid)		1.048	82
Other cash flows from operating activities		(5.417)	0
<b>Cash flows from operating activities</b>		<b>(4.885)</b>	<b>61.704</b>
Acquisition etc of intangible assets		(565)	(541)
Acquisition etc of property, plant and equipment		(5.614)	(16.446)
Sale of property, plant and equipment		7.119	218
Disposal of enterprises		(5.683)	0
Other cash flows from investing activities		(488)	0
<b>Cash flows from investing activities</b>		<b>(5.231)</b>	<b>(16.769)</b>
Loans raised		9.635	3.345
Cash increase of capital		8.500	705
Cash decrease of capital		1.609	0
Repayments of loans etc		(15.000)	(15.216)
Acquisition of treasury shares		0	(218)
<b>Cash flows from financing activities</b>		<b>4.744</b>	<b>(11.384)</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>(5.372)</b>	<b>33.551</b>
Cash and cash equivalents beginning of year		(35.257)	(68.818)
Currency translation adjustments of cash and cash equivalents		0	10
<b>Cash and cash equivalents end of year</b>		<b>(40.629)</b>	<b>(35.257)</b>



## Consolidated cash flow statement for 2016/17

	<u>Notes</u>	<u>2016/17 DKK'000</u>	<u>2015/16 DKK'000</u>
Cash and cash equivalents at year-end are composed of:			
Cash		707	5.155
Short-term debt to banks		<u>(41.336)</u>	<u>(40.412)</u>
<b>Cash and cash equivalents end of year</b>		<u><b>(40.629)</b></u>	<u><b>(35.257)</b></u>

## Notes to consolidated financial statements

	<b>2016/17</b> <b>DKK'000</b>	<b>2015/16</b> <b>DKK'000</b>
<b>1. Revenue</b>		
Denmark	300.243	401.359
Other Countries	211.006	237.481
	<b>511.249</b>	<b>638.840</b>

The Group's segments comprise business areas and geographical markets.

The Group's primary activities comprise purchase, packing and sale of fresh and dried fruits and vegetables. Referring to §96 of the Danish Financial Statements Act, Management does not want to further disclose revenue per activity as this will be of considerable damage to the competitive situation.

	<b>2016/17</b> <b>DKK'000</b>	<b>2015/16</b> <b>DKK'000</b>
<b>2. Fees to the auditor appointed by the Annual General Meeting</b>		
Statutory audit services	418	478
Other assurance engagements	60	0
Tax services	139	250
Other services	75	81
	<b>692</b>	<b>809</b>

	<b>2016/17</b> <b>DKK'000</b>	<b>2015/16</b> <b>DKK'000</b>
<b>3. Staff costs</b>		
Wages and salaries	77.203	83.754
Pension costs	11.068	12.642
Other social security costs	2.757	2.716
Other staff costs	2.183	2.296
	<b>93.211</b>	<b>101.408</b>
Average number of employees	<b>204</b>	<b>232</b>

Referring to §98b of the Danish Financial Statement Act, disclosures on management's remuneration have been omitted.

#### 4. Other operating expenses

Other operating income comprises loss from the sale of System Multifood Ltd.

## Notes to consolidated financial statements

	<b>2016/17</b> <b>DKK'000</b>	<b>2015/16</b> <b>DKK'000</b>
<b>5. Tax on profit/loss for the year</b>		
Current tax	8.651	13
Change in deferred tax	(7.762)	(3.388)
	<b>889</b>	<b>(3.375)</b>

Current tax includes DKK 5,417k relating to withholding tax on the distribution of dividends from the subsidiary System Multifood Ltd.

	<b>2016/17</b> <b>DKK'000</b>
<b>6. Discontinued operations</b>	
<b>Income statement</b>	
Revenue	17.683
Production costs	(19.355)
Distribution costs	(525)
Administrative expenses	(1.285)
Financials, netto	(50)
<b>Profit/loss for the period</b>	<b>(3.532)</b>
Gains or losses from disposals etc	4.496
<b>Pre-tax profit/loss from discontinued operations</b>	<b>964</b>
Tax on profit/loss from discontinued operations	376
<b>Post-tax profit/loss from discontinued operations</b>	<b>1.340</b>

	<b>2016/17</b> <b>DKK'000</b>	<b>2015/16</b> <b>DKK'000</b>
<b>7. Proposed distribution of profit/loss</b>		
Retained earnings	(30.039)	(19.628)
Minority interests' share of profit/loss	(6.589)	(4.292)
	<b>(36.628)</b>	<b>(23.920)</b>

## Notes to consolidated financial statements

	<b>Acquired intangible assets DKK'000</b>	<b>Goodwill DKK'000</b>	
<b>8. Intangible assets</b>			
Cost beginning of year	2.210	210.413	
Disposals on divestments etc	(665)	0	
Exchange rate adjustments	0	(2)	
Additions	565	0	
<b>Cost end of year</b>	<b>2.110</b>	<b>210.411</b>	
Amortisation and impairment losses beginning of year	(943)	(71.615)	
Exchange rate adjustments	0	1	
Amortisation for the year	(453)	(10.215)	
Reversal regarding disposals	543	0	
<b>Amortisation and impairment losses end of year</b>	<b>(853)</b>	<b>(81.829)</b>	
<b>Carrying amount end of year</b>	<b>1.257</b>	<b>128.582</b>	
	<b>Plant and machinery DKK'000</b>	<b>Other fixtures and fittings, tools and equipment DKK'000</b>	<b>Leasehold improve- ments DKK'000</b>
<b>9. Property, plant and equipment</b>			
Cost beginning of year	62.403	20.026	8.948
Disposals on divestments etc	(19.103)	(1.168)	0
Additions	2.222	2.818	574
Disposals	(650)	(3.363)	(234)
<b>Cost end of year</b>	<b>44.872</b>	<b>18.313</b>	<b>9.288</b>
Depreciation and impairment losses beginning of year	(39.318)	(11.216)	(4.291)
Depreciation for the year	(4.384)	(3.750)	(1.511)
Reversal regarding disposals	13.540	3.794	65
<b>Depreciation and impairment losses end of year</b>	<b>(30.162)</b>	<b>(11.172)</b>	<b>(5.737)</b>
<b>Carrying amount end of year</b>	<b>14.710</b>	<b>7.141</b>	<b>3.551</b>

## Notes to consolidated financial statements

	<b>Other investments DKK'000</b>
<b>10. Fixed asset investments</b>	
Transfers	488
<b>Cost end of year</b>	<b>488</b>
<b>Carrying amount end of year</b>	<b>488</b>

	<b>2016/17 DKK'000</b>	<b>2015/16 DKK'000</b>
<b>11. Deferred tax</b>		
Intangible assets	5.003	(222)
Property, plant and equipment	(1.620)	(1.147)
Inventories	(331)	(341)
Liabilities other than provisions	(10)	(13)
Tax losses carried forward	6.094	5.523
	<b>9.136</b>	<b>3.800</b>

### Changes during the year

Beginning of year	(3.800)
Recognised in the income statement	7.762
Other changes	5.174
<b>End of year</b>	<b>9.136</b>

### 12. Prepayments

Prepayments relate to prepaid costs, including licenses and insurance etc.

	<b>Due within 12 months 2016/17 DKK'000</b>	<b>Due within 12 months 2015/16 DKK'000</b>	<b>Due after more than 12 months 2016/17 DKK'000</b>
<b>13. Liabilities other than provisions</b>			
Subordinate loan capital	0	0	78.788
Bank loans	30.000	20.000	0
Finance lease liabilities	274	269	331
	<b>30.274</b>	<b>20.269</b>	<b>79.119</b>

### 14. Financial instruments

#### Disclosure on forward exchange contracts acquired to hedge liabilities

Other payables include a negative fair value of the forward exchange contracts of DKK 3.531k. The forward exchange contracts have been acquired to hedge the foreign currency risk of trade payables in USD and AUD. The exchange loss has been set off against the value adjustments of the hedged payables in the income

## Notes to consolidated financial statements

statement. The forward exchange contracts have a term of 0-13 months. The forward exchange contracts have been entered into the Company's usual bank.

	<u>2016/17</u> <u>DKK'000</u>	<u>2015/16</u> <u>DKK'000</u>
<b>15. Unrecognised rental and lease commitments</b>		
Liabilities under rental or lease agreements until maturity in total	<u>12.501</u>	<u>12.674</u>

Unrecognised rental and lease commitments relate to operating leases totalling DKK 5,705k as well as rental commitments totalling DKK 6,796k.

### 16. Contingent liabilities

The Group has committed itself to fixed price and quantity contracts towards its suppliers of goods and services on delivery of raw materials in the coming financial years. The contractual residual commitments from the concluded contracts at 30 September 2017 amount to DKK 83,102k.

The Group's bank has issued a guarantee for non-recognised import letters of credit with an open balance at the balance sheet date totalling DKK 758k.

### 17. Assets charged and collateral

The Group has issued letters of credit and payment guarantees through its bank to suppliers amounting to DKK 298k (2015/16: DKK 664k).

As security for all accounts with Jyske Bank, a floating charge has been granted of nominal DKK 10,000k over System Frugt A/S' unsecured claims arising from the sale of goods and services and inventories. The carrying amount is DKK 99,523k at 30.09.2017.

A negative pledge is registered regarding System Fruit A/S for unsecured claims arising from the sale of goods and services.

### 18. Transactions with related parties

Only transactions with related parties that are not carried out at market terms are disclosed in the annual report. No such transactions have been performed in the financial year.

## Parent income statement for 2016/17

	<u>Notes</u>	<u>2016/17 DKK'000</u>	<u>2015/16 DKK'000</u>
Administrative expenses		(33)	(39)
<b>Operating profit/loss</b>		<b>(33)</b>	<b>(39)</b>
Income from investments in group enterprises		(77.181)	0
Other financial income		346	3
Other financial expenses		(263)	0
<b>Profit/loss before tax</b>		<b>(77.131)</b>	<b>(36)</b>
Tax on profit/loss for the year	1	(11)	6
<b>Profit/loss for the year</b>	2	<b>(77.142)</b>	<b>(30)</b>

## Parent balance sheet at 30.09.2017

	<u>Notes</u>	<u>2016/17 DKK'000</u>	<u>2015/16 DKK'000</u>
Investments in group enterprises		24.944	93.734
Receivables from group enterprises		8.739	0
<b>Fixed asset investments</b>	3	<u><b>33.683</b></u>	<u><b>93.734</b></u>
<b>Fixed assets</b>		<u><b>33.683</b></u>	<u><b>93.734</b></u>
Receivables from group enterprises		2.103	1.469
Deferred tax	4	1	12
Other receivables		247	0
<b>Receivables</b>		<u><b>2.351</b></u>	<u><b>1.481</b></u>
<b>Cash</b>		<u><b>256</b></u>	<u><b>569</b></u>
<b>Current assets</b>		<u><b>2.607</b></u>	<u><b>2.050</b></u>
<b>Assets</b>		<u><b>36.290</b></u>	<u><b>95.784</b></u>



## Parent balance sheet at 30.09.2017

	<u>Notes</u>	<u>2016/17 DKK'000</u>	<u>2015/16 DKK'000</u>
Contributed capital	5	665	665
Retained earnings		24.263	92.905
<b>Equity</b>		<b>24.928</b>	<b>93.570</b>
Subordinate loan capital		8.261	0
Trade payables		33	33
Payables to group enterprises		3.068	2.181
<b>Current liabilities other than provisions</b>		<b>11.362</b>	<b>2.214</b>
<b>Liabilities other than provisions</b>		<b>11.362</b>	<b>2.214</b>
<b>Equity and liabilities</b>		<b>36.290</b>	<b>95.784</b>
Contingent liabilities	6		
Assets charged and collateral	7		
Transactions with related parties	8		

**Parent statement of changes in equity for 2016/17**

	<b>Contributed capital DKK'000</b>	<b>Share premium DKK'000</b>	<b>Retained earnings DKK'000</b>	<b>Total DKK'000</b>
Equity beginning of year	665	0	92.905	93.570
Increase of capital	0	8.500	0	8.500
Transfer to reserves	0	(8.500)	8.500	0
Profit/loss for the year	0	0	(77.142)	(77.142)
<b>Equity end of year</b>	<b>665</b>	<b>0</b>	<b>24.263</b>	<b>24.928</b>

## Notes to parent financial statements

	<b>2016/17 DKK'000</b>	<b>2015/16 DKK'000</b>
<b>1. Tax on profit/loss for the year</b>		
Change in deferred tax	11	(6)
	<b>11</b>	<b>(6)</b>
	<b>2016/17 DKK'000</b>	<b>2015/16 DKK'000</b>
<b>2. Proposed distribution of profit/loss</b>		
Retained earnings	(77.142)	(30)
	<b>(77.142)</b>	<b>(30)</b>
	<b>Invest- ments in group enterprises DKK'000</b>	<b>Receivables from group enterprises DKK'000</b>
<b>3. Fixed asset investments</b>		
Cost beginning of year	93.734	0
Additions	8.391	8.739
<b>Cost end of year</b>	<b>102.125</b>	<b>8.739</b>
Impairment losses for the year	(77.181)	0
<b>Impairment losses end of year</b>	<b>(77.181)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>24.944</b>	<b>8.739</b>
	<b>2016/17 DKK'000</b>	<b>2015/16 DKK'000</b>
<b>4. Deferred tax</b>		
Tax losses carried forward	1	12
	<b>1</b>	<b>12</b>
<b>Changes during the year</b>		
Beginning of year	12	
Recognised in the income statement	(11)	
<b>End of year</b>	<b>1</b>	

## Notes to parent financial statements

	<u>Number</u>	<u>Par value DKK'000</u>	<u>Nominal value DKK'000</u>
<b>5. Contributed capital</b>			
A shares	388.551	1	389
B shares	252.605	1	253
C shares	23.944	1	23
	<u><b>665.100</b></u>		<u><b>665</b></u>

### 6. Contingent liabilities

The entity serves as the administration company on a Danish joint taxation arrangement. According to the joint taxation provision of the Danish Corporation Tax Act, the Entity is therefor liable for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities.

### 7. Assets charged and collateral

None.

### 8. Transactions with related parties

Only transactions with related parties that are not carried out at market terms are disclosed in the annual report. No such transactions have been performed in the financial year.

## Accounting policies

### Reporting class

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

This accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year with the exception of the following.

### Non-comparability

During the financial year 2016/17, the Group has sold Crispo Denmark ApS, which has led to the termination of activity. Crispo Denmark ApS is therefore included in the consolidated and parent financial statements as a discontinued activity. No comparison has been made with comparative figures, so figures for the year are not directly comparable with previous year.

### Changes in accounting policies

As a consequence of the adoption of amendments to the Danish Financial Statements Act, the accounting policies have been changed in the following area:

#### Minority interests (Consolidated financial statements)

Minority interests are presented as an element of equity, and minority interests' share of profit or loss is disclosed in the statement of distribution of profit or loss. Previously, minority interests were presented as a separate principal item between equity and provisions. Furthermore, the minority interest's share of profit or loss was presented as a separate item in the income statement.

Acquisition of minority interests in a subsidiary and sale of minority interests in a subsidiary, which do not cause control to cease, are accounted for in the consolidated financial statements as an equity transaction, and the difference between the consideration and the carrying amount is recognised in the Parent's share of equity. Previously, acquisitions of investments subsidiaries were recognised as additions of investments with recognition of goodwill. Furthermore, profits or losses from the sale of investments in subsidiaries were recognised in the income statement.

#### Effect of changes in accounting policies

The total effect of the change in accounting policies described above is an increase of profit for the year before tax of DKK 0k (2015/16: DKK 0k). Tax for the year of the change in accounting policies amounts to DKK 0k (2015/16: DKK 0k) after which profit for the year after tax is decreased by DKK 6,588k (2015/16: DKK 4,292k). The balance sheet total is not affected by the change in accounting policies, whereas equity at 30 September 2017 is increased by DKK 5,422k (2015/16: DKK 11,762k). The effect of the change in accounting policies at 1. October 2015 is recognised directly on equity, see the consolidated statement of changes in equity.

The change in accounting policies has no impact on the Parent's income statement, balance sheet or statement of changes in equity.

## Accounting policies

### Recognition and measurement

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

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

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

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

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

### Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

### Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' proportionate share of profit or loss is presented as a separate item in Management's proposal for distribution of profit or loss, and their share of subsidiaries' net assets is presented as a separate item in group equity.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

### Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date.

## Accounting policies

Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

### **Income statement**

#### **Revenue**

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

#### **Production costs**

Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary writedown of inventories.

#### **Distribution costs**

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

#### **Administrative expenses**

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

#### **Other operating expenses**

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

#### **Income from investments in group enterprises**

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

#### **Other financial income**

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises etc.

#### **Other financial expenses**

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises etc.

## Accounting policies

### Tax on profit/loss for the year

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

The Entity is jointly taxed with the Parent and all the Parent's other Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

### Balance sheet

#### Goodwill

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile. Useful lives are reassessed annually. The amortisation periods used are 20 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

#### Intellectual property rights etc

Intellectual property rights etc comprise acquired intellectual property rights assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, which is estimated at 5 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

#### Property, plant and equipment

Plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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

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

Plant and machinery	3-8 years
Other fixtures and fittings, tools and equipment	3-6 years
Leasehold improvements	5 years

Estimated useful lives and residual values are reassessed annually.



## Accounting policies

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

### Investments in group enterprises

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

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

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

### Other investments

Other investments comprise unlisted investments measured at the lower of cost and net realisable value.

### Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

### Receivables

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

### Deferred tax

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

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

## Accounting policies

### Prepayments

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

### Cash

Cash comprises cash in hand and bank deposits.

### Finance lease liabilities

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

### Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

### Other financial liabilities

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

### Income tax receivable or payable

Current tax receivable or payable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

### Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term bank debt.