

System Frugt Holding A/S

Avderødvej 27 C

2980 Kokkedal

Business Registration No

33151799

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

Name: Flemming Ib Windfeld

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Entity details

Entity

System Frugt Holding A/S
Avderødvej 27 C
2980 Kokkedal

Central Business Registration No (CVR): 33151799

Founded: 09.09.2010

Registered in: Fredensborg

Financial year: 01.10.2016 - 30.09.2017

Board of Directors

Tim Ørting Jørgensen, chairman
Jacob Østergaard Bergenholtz
Esben Bay Jørgensen
Jørgen Peter Danielsen

Executive Board

Peter Ole Bruun, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of System Frugt Holding A/S 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 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

Peter Ole Bruun
CEO

Board of Directors

Tim Ørting Jørgensen
chairman

Jacob Østergaard Bergenholtz

Esben Bay Jørgensen

Jørgen Peter Danielsen

Independent auditor's report

To the shareholders of System Frugt Holding A/S

Opinion

We have audited the financial statements of System Frugt Holding A/S 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. 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 Entity's financial position at 30.09.2017 and of the results of its operations for the financial year 01.10.2016 - 30.09.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity 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 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 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 financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report

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

Management is responsible for the management commentary.

Our opinion on the 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 financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the 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.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary is in accordance with the 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

Primary activities

System Frugt Holding A/S is the holding company of System Frugt Group. The primary activities of the Group 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.

The Group consist of the following entities:

- System Frugt A/S, Denmark
- Crispo Danmark 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

For the entities under the Holding company, 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. This has resulted in a significant higher loss in the actual financial year than last year – minus DKK 36,669 k compared to minus DKK 23,890 k last year.

The result of the year is considered very unsatisfying.

Outlook

As the underlying activities are expected to deliver better results during the coming year, based on new structure, higher margins and focusing on value creation, the performance of System Frugt Holding A/S is also expected to improve.

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.

Management commentary

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.

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
TOTAL ASSETS	244,700
Equity	103,500
Provisions	1,050
Current liabilities	140,150
TOTAL EQUITY AND LIABILITIES	244,700
Solvency	42.3%

Income statement for 2016/17

	<u>Notes</u>	<u>2016/17 DKK'000</u>	<u>2015/16 DKK'000</u>
Administrative expenses		<u>(243)</u>	<u>(90)</u>
Operating profit/loss		<u>(243)</u>	<u>(90)</u>
Income from investments in group enterprises		(30.004)	(17.832)
Other financial income		16	71
Other financial expenses		<u>(8.317)</u>	<u>(7.677)</u>
Profit/loss before tax		<u>(38.548)</u>	<u>(25.528)</u>
Tax on profit/loss for the year	1	<u>1.879</u>	<u>1.638</u>
Profit/loss for the year		<u>(36.669)</u>	<u>(23.890)</u>
Proposed distribution of profit/loss			
Retained earnings		<u>(36.669)</u>	<u>(23.890)</u>
		<u>(36.669)</u>	<u>(23.890)</u>

Balance sheet at 30.09.2017

	<u>Notes</u>	<u>2016/17 DKK'000</u>	<u>2015/16 DKK'000</u>
Acquired rights		28.000	0
Intangible assets	2	28.000	0
Investments in group enterprises		129.959	173.592
Receivables from group enterprises		2.075	175
Fixed asset investments	3	132.034	173.767
Fixed assets		160.034	173.767
Receivables from group enterprises		3.068	2.184
Deferred tax		4.302	2.510
Income tax receivable		0	794
Receivables		7.370	5.488
Cash		0	5
Current assets		7.370	5.493
Assets		167.404	179.260

Balance sheet at 30.09.2017

	<u>Notes</u>	<u>2016/17 DKK'000</u>	<u>2015/16 DKK'000</u>
Contributed capital	4	1.119	1.109
Retained earnings		29.059	64.367
Equity		30.178	65.476
Subordinate loan capital		79.266	63.759
Bank loans		0	30.000
Non-current liabilities other than provisions	5	79.266	93.759
Current portion of long-term liabilities other than provisions	5	30.000	20.000
Bank loans		46	0
Trade payables		25	25
Payables to group enterprises		27.889	0
Current liabilities other than provisions		57.960	20.025
Liabilities other than provisions		137.226	113.784
Equity and liabilities		167.404	179.260
Contingent liabilities	6		
Assets charged and collateral	7		
Related parties with controlling interest	8		
Group relations	9		

Statement of changes in equity for 2016/17

	Contributed capital DKK'000	Share premium DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	1.109	0	64.367	65.476
Increase of capital	10	9.990	0	10.000
Transferred from share premium	0	(9.990)	9.990	0
Exchange rate adjustments	0	0	(5.371)	(5.371)
Value adjustments	0	0	(3.258)	(3.258)
Profit/loss for the year	0	0	(36.669)	(36.669)
Equity end of year	1.119	0	29.059	30.178

Notes

	2016/17	2015/16
	DKK'000	DKK'000
1. Tax on profit/loss for the year		
Change in deferred tax	(1.879)	(1.638)
	(1.879)	(1.638)

	Acquired rights DKK'000
2. Intangible assets	
Additions	28.000
Cost end of year	28.000
Carrying amount end of year	28.000

Intangible assets comprises the purchase of trademarks.

	Invest- ments in group enterprises DKK'000	Receivables from group enterprises DKK'000
3. Fixed asset investments		
Cost beginning of year	264.203	175
Additions	10.000	1.900
Cost end of year	274.203	2.075
Impairment losses beginning of year	(90.611)	0
Adjustments on equity	(8.629)	0
Amortisation of goodwill	(9.843)	0
Share of profit/loss for the year	698	0
Adjustment of intra-group profits	(20.859)	0
Dividend	(15.000)	0
Impairment losses end of year	(144.244)	0
Carrying amount end of year	129.959	2.075

The carrying amount of group enterprises includes goodwill at a carrying amount of DKK 127,962k at 30.09.2017.

Notes

	Number	Nominal value DKK'000	Share of contributed capital %
4. Treasury shares			
Holding of treasury shares:			
Ordinary shares	32.340	32.340	2,9
	32.340	32.340	2,9

	Due within 12 months 2016/17 DKK'000	Due within 12 months 2015/16 DKK'000	Due after more than 12 months 2016/17 DKK'000
5. Liabilities other than provisions			
Subordinate loan capital	0	0	79.266
Bank loans	30.000	20.000	0
	30.000	20.000	79.266

6. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which Anpartsselskabet af 9. September 2010 serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable for income taxes etc for the jointly taxed companies and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

The Company provides guarantee for the bank debt in the subsidiary System Frugt A/S. Bank debt in the subsidiaries amounts to DKK 41,290k as per 30.09.2017.

7. Assets charged and collateral

Investments in group enterprises are pledged as security for the Group's bank debt. At 30 September 2017 the bank debt amounts to DKK 71,290k.

The carrying amount of investments in group enterprises at 30 September 2017 amounts to DKK 124,076k.

Notes

8. Related parties with controlling interest

Related parties with controlling interest in the Company include:

Anpartsselskabet af 9. september 2010, Kokkedal

BWB Partners II K/S, Kokkedal

9. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

Anpartsselskabet af 9. september 2010, Fredensborg.

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Anpartsselskabet af 9. september 2010, Fredensborg.

Accounting policies

Reporting class

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

The Company has changed to reporting class B in compliance with the provisions of the Danish Financial Statements Act. Consequently, the number of note disclosures has been changed.

The accounting policies applied to these financial statements are consistent with those applied last year.

Consolidated financial statements

Referring to section 112(2) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

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.

Income statement

Administrative costs

Administrative costs comprise expenses 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.

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 intra-group profits or losses.

Accounting policies

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.

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

Intellectual property rights etc

Intellectual property rights etc comprise acquired intellectual property rights.

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 20 years.

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

Investments in group enterprises

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 or 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.

Receivables

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

Accounting policies

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.

Deferred tax assets, including the tax base of tax loss carryforwards, 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.

Income tax payable or receivable

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

Cash

Cash comprises bank deposits.

Treasury shares

Acquisition and selling prices and dividends for treasury shares are classified directly as equity under retained earnings. Gains and losses on sale are not recognised in the income statement.

Other financial liabilities

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