

System Frugt Holding A/S
Central Business Registration No
33151799
Avderødvej 27 C
2980 Kokkedal

Annual report 2015/16

The Annual General Meeting adopted the annual report on *23/2/17*

Chairman of the General Meeting



Name: *FLEMMING WINDFELD*

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Entity details

Entity

System Frugt Holding A/S
Avderødvej 27 C
2980 Kokkedal

Central Business Registration No: 33151799

Registered in: Fredensborg

Financial year: 01.10.2015 - 30.09.2016

Board of Directors

Tim Ørting Jørgensen, Chairman

Jacob Østergaard Bergenholtz

Esben Bay Jørgensen

Jørgen Peter Danielsen

Karen Østergaard

Executive Board

Peter Ole Bruun

Entity 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 01.10.2015 - 30.09.2016.

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 30.09.2016 and of the results of its operations and cash flows for the financial year 01.10.2015 - 30.09.2016.

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.

Kokkedal, 12.12.2016

Executive Board



Peter Ole Bruun

Board of Directors



Tim Ørting Jørgensen
Chairman



Jørgen Peter Danielsen



Jacob Østergaard Bergenholtz



Karen Østergaard



Esben Bay Jørgensen

Independent auditor's reports

To the owners of System Frugt Holding A/S Report on the financial statements

We have audited the consolidated financial statements and parent financial statements of System Frugt Holding A/S for the financial year 01.10.2015 - 30.09.2016, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity and notes for the Group as well as for the Parent and the consolidated cash flow statement. The consolidated financial statements and parent financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the consolidated financial statements and 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.

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements and parent financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether consolidated financial statements and parent financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and parent financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the consolidated financial statements and parent financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements and parent financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the consolidated financial statements and parent financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements and parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30.09.2016, and of the results of their operations and the Group's cash flows for the financial year 01.10.2015 - 30.09.2016 in accordance with the Danish Financial Statements Act.

Independent auditor's reports

Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the consolidated financial statements and parent financial statement.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the consolidated financial statements and parent financial statement.

Aarhus, 12.12.2016

Deloitte

Statsautoriseret Revisionspartnerselskab

Jacob Nørmark

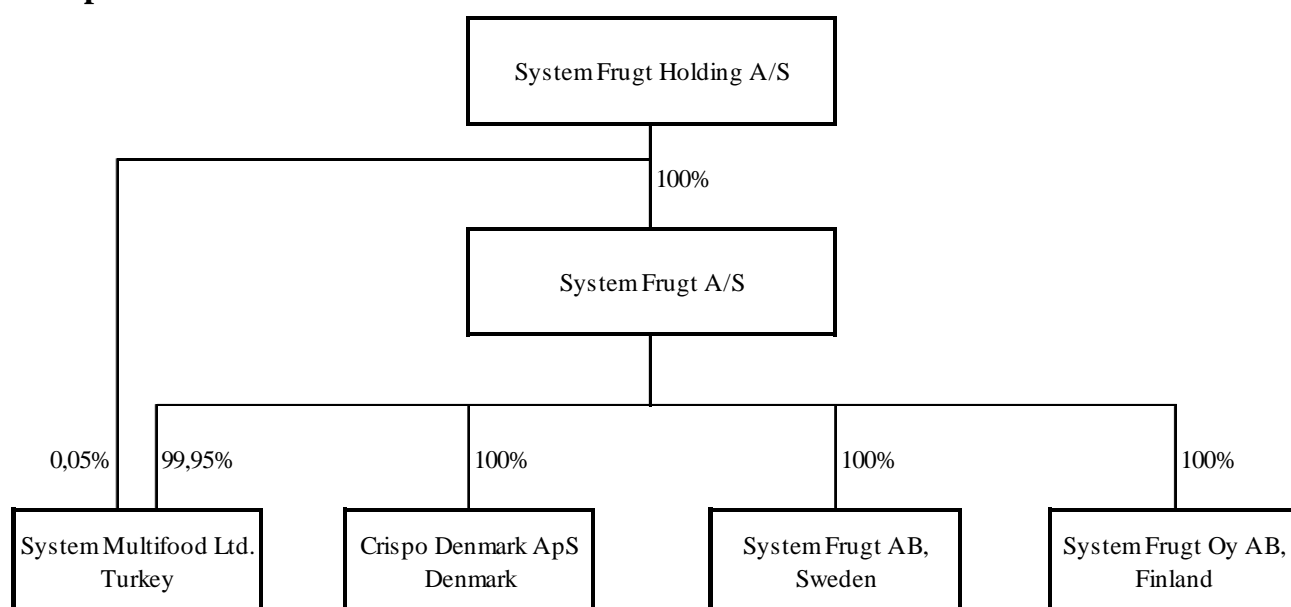
State Authorised Public Accountant

CVR-nr. 33963556

Management commentary

	2015/16 DKK'000	2014/15 DKK'000	2013/14 DKK'000	2012/13 DKK'000	2011/12 DKK'000
Financial high-lights					
Key figures					
Revenue	638.840	650.916	653.488	559.749	475.905
Gross profit/loss	83.051	115.499	119.146	101.810	68.157
Operating profit/loss	(17.292)	15.478	10.469	12.720	408
Net financials	(9.967)	(9.061)	(9.472)	(9.449)	(8.986)
Profit/loss for the year	(23.890)	3.571	(246)	(288)	(8.086)
Total assets	326.521	391.522	382.799	377.500	352.634
Investments in property, plant and equipment	16.446	19.918	7.611	13.582	5.067
Equity	65.476	87.996	73.879	57.039	69.310
Employees in average	232	247	247	234	188
Ratios					
Gross margin (%)	13,0	17,7	18,2	18,2	14,3
Net margin (%)	(3,7)	0,5	0,0	(0,1)	(1,7)
Return on equity (%)	(31,1)	4,4	(0,4)	(0,5)	(11,1)
Equity ratio (%)	20,1	22,5	19,3	15,1	19,7
Revenue per employee	2.754,0	2.635,0	2.646,0	2.392,0	2.531,0

Group Structure



Management commentary

Primary activities

System Frugt Holding A/S 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:

- Purchase, packing and sale of fresh fruit and vegetables
- Purchase, packing and sale of dried fruits, nuts, seeds, snacks and spices
- Production and sale of potato crisps

At 30 September 2016, the Group consists of the following companies:

- System Frugt Holding A/S, Denmark
- System Frugt A/S, Denmark
- Crispo Danmark ApS, Denmark
- System Multifood Ltd, Turkey
- System Frugt AB, Sweden
- System Frugt Oy AB, Finland.

Development in activities and finances

The financial year was characterised by a net decline in the Group's export markets compared to last year and below budget. This together with a significant lower gross margin was the main reason for not reaching the budget for the year.

In the financial year, the Group realised revenue of DKK 638,840k (2014/15: DKK 650,916k), which is a decrease of 1.9% on the previous financial year. On the Danish market, we saw an increase of 0.5% (equal to DKK 2,047k), whereas revenue abroad decreased by -5.6% (equal to DKK 14,123k). Prior to the financial year, a growth rate of 7.5% in revenues was expected, but due to market conditions, we saw a net decline instead. The decrease can be attributed to dried products, whereas fresh fruit and vegetables experienced quite significant growth, mainly in the first half of the year

Gross margins have been significant below expectations during the first half of the financial year due to a combination of price development on raw materials, high stock levels and price competition. Fixed costs are kept at current level due to continued efforts to strengthen the organization and the estimated future growth.

The combination of lower sales and low gross margins are the main reasons for realization of a loss from ordinary activities of DKK -17,292k (2014/15: DKK 15,478k). Included in the fixed cost there are non-recurring costs relating to a change in the Management of System Frugt A/S during the financial year.

Management commentary

The Group's financial performance showed a loss after tax of DKK -23,890k (2014/15: a profit of DKK 3,571k).

The financial performance for the year is considered very unsatisfying.

The Parent's financial performance showed a loss for the financial year of DKK 6,058k (2014/15: a loss of DKK 5,471k) excluding profit/loss from subsidiaries. The financial performance meets expectations for the year.

Investments

In the financial year, investments amounted to DKK 16,446k (2014/15: DKK 19,918k). 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, and mainly concentrated at the production sites.

Financial resources

The solvency ratio amounts to 20.1% (2014/15: 22.5%), equivalent to an equity amount at 30 September 2016 of DKK 65,476k (30 September 2015: DKK 87,996k). No capital increase has been made during the financial year.

Outlook

Revenue is expected to decline further in the forthcoming financial year whereas gross margins are expected to return to an acceptable level. As a whole the financial performance is expected to show significant improvement.

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 fluctuations to sales prices. The Company has well-functioning policies and procedures to reduce these price risks.

Exchange rate risks

A considerable part of the Company's purchase is made in foreign currencies, especially EUR and USD. This 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 options and forward exchange contracts.

Management commentary

Capital structure

System Frugt Holding A/S' share capital is not 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 2016, the Group's net interest-bearing debt amounts to DKK 148,403k (at 30 September 2015: DKK 195,489k), 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 was financed by a loan from Jyske Bank, which shows an outstanding debt of DKK 50,000k at 30 September 2016 (at 30 September 2015: DKK 65,000k), 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

All of the Group's production sites are BRC certified, and a well-functioning quality control system based on the HACCP principles has been implemented at all companies.

The Group has built considerable knowledge of the individual products and their sourcing.

Environmental performance

The Group does not run any business resulting in dangerous or special impacts on the external environment. The Group 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 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.

Management commentary

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, System Frugt Holding A/S 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 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.

Ownership information

System Frugt Holding A/S is the parent of System Frugt A/S with underlying subsidiaries, and its owners are:

- BWB Partners through Anpartsselskabet af 9. september 2010, with a 79.6% ownership interest;
- Jørgen Danielsen ApS, with a 15.3% ownership interest;
- Employees and other investors, with a 2.2% ownership interest;
- Portfolio of treasury shares, with a 2.9% ownership interest.

Employees

In the financial year 2015/16, the Group has had an average of 232 employees (2014/15: 247). 178 of this average are employed with the Danish companies (2014/15: 186) and 53 with the foreign companies (2014/15: 61). The average headcount is expected to increase during the forthcoming year.

Management commentary

Board of Directors

At 30 September 2016, the Board consisted of five members:

Name	Tim Ørting Jørgensen	Esben Bay Jørgensen	Jacob Ø.Bergenholtz	Karen Østergaard	Jørgen Danielsen
Position on the board	Chairman	Member	Member	Member	Member
Entry date	01.01.2016	09.09.2010	08.03.2016	19.11.2014	30.09.2010
Current position	Executive Vice President, International, Arla Foods	Partner, BWB Partners P/S	Managing Partner, BWB Partners P/S	Vice President, Innovation & Marketing, Tulip	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 18. april 2012, Anpartsselskabet af 9. september 2010, Anpartsselskabet af 28. juni 2012, Anpartsselskabet af 7. juni 2007, Anpartsselskabet af 17. december 2014, EBJ ApS, Bay & co. invest ApS, 12. januar 2009 holding A/S, BWB Partners GP ApS, BWBP CIV GP ApS, Anpartsselskabet af 16. november 2015	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 2013, Anpartsselskabet af 1. december 2011, Anpartsselskabet af 18. april 2012, Anpartsselskabet af 9. september 2010, Anpartsselskabet af 28. juni 2012, Anpartsselskabet af 17. december 2014, JB1 ApS, Anpartsselskabet af 28. marts 2007, Anpartsselskabet af 4. juli 2008, Anpartsselskabet af 7. juni 2007, BWBP CIV GP ApS		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
Chairman	System Frugt A/S,	Crispo Denmark	Envikraft Invest A/S,		Ejendomsselskabet

Management commentary

	System Frugt Holding A/S	ApS, Moep A/S, Jack-Up Holding A/S	WEISS A/S, Envikraft A/S, ODIN equity partners management II K/S, WEISS Partners A/S		Finsensvej 19 A/S, Rolighedsvej 7 ApS, 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		
Board member	Royal Greenland 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, Hydratech Industries Fluid Power A/S, HTHH ApS, Qubiq Esbjerg A/S, SH Group A/S, 12. januar 2009 holding A/S, BWB Partners P/S, System Frugt A/S, System Frugt Holding A/S, Hydratech Industries Wind Power A/S	BC GROUP Holding A/S, BC GROUP A/S, Bach Composite Industry A/S, BWB Partners P/S, MOEP A/S, BWBP Fonden, System Frugt A/S, System Frugt Holding A/S, CIPP Technology Solutions A/S, Jack-Up Holding A/S	System Frugt A/S, System Frugt Holding A/S	Omega 3 erhverv A/S, Emsen A/S, System Frugt Estate A/S, Peter Sabroe Gade Holding ApS, Ejendomsselskabet 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

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 the Danish Financial Statements Act §99a and §99b during the financial year 2015/16.

Management commentary

Gender diversity in management bodies

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

One of the five seats on the Board of Directors is currently held by a woman, which equals a share of 20 %. It is the Group's objective to have at least 2 female members before 2018. We are on a continuous basis working towards this objective and we have already seen some progress – three years ago, there were no female representatives on the Board of Directors.

The top management of System Frugt A/S consists of six members. Currently, there are no female members of the top management. 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 2015/16, 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.

Corporate social responsibility

Our focus for corporate social responsibility stems from four overall areas:

- Working conditions
- Health & Safety
- Local community
- Environment & Climate

We do currently not have a specific policy for human rights, but during the last four years, the Group has been a member of the Business Social Compliance Initiative, BSCI, in order to implement a rigorous system for managing CSR-related risks in our supply chain.

Working conditions

During the last four years, the Group has been a member of the Business Social Compliance Initiative, BSCI, in order to implement a rigorous system for managing CSR-related risks in our supply chain. Through BSCI, our goal is to contribute to creating and implementing continued improvements in social standards in our production companies worldwide. During 2015/16 we have increased the number of audits of our suppliers to ensure their compliance and focus on the guidelines.

Health & Safety

The Group has established internal policies and guidelines to ensure a safe and healthy working environment for all our employees. This includes training, a constant focus on safety and flexible job solutions. During

Management commentary

2015/16 the number of working accidents causing absence from work was reduced to 5 (2014/15: 11) at our site in Tilst.

Local Community

We care about our local community, and therefore the Group is an active supporter of the organizations; Children's Welfare, the Danish Cancer Society and Familier med kræfttramte børn (Families with children suffering from cancer). Our support has contained membership and/or donations.

Environment & Climate

To System Frugt ensuring sustainability also means working systematically with the environment. New and improved policy on the environment and climate area is expected to be implemented by the beginning of 2017.

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 2014/15, an amount of DKK 450.000 has been donated and sponsored to WWF from our Earth Control® product campaigns, which were launched during August and September 2015. It has been agreed with WWF to repeat the initiative again during 2016/17. System Frugt as a group has entered into a corporate membership of WWF until 2018.

In addition, the Group has launched a string of initiatives aimed at further enhancing the sustainability of our work. Among these initiatives are

- We continue our aim to reduce our packaging consumption in percent of volumes sold, measured in kilos.
- Our Fruit & Vegetables division continues our working relationship with Randers Rainforest, who collects our surplus products not reaching the consumers and hereby minimizing our amount of waste.
- 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 are about to be switched to 100% RSPO-certified palm oil, and full conversion it is expected by the end of 2016.

If you want to know more about our sustainability efforts, please refer to the Group's latest CSR Report (2015).:

http://systemfrugt.dk/wp-content/uploads/Latest_CSR_Report.pdf.

Management commentary

Since spring 2016 effort has been put into the development a stronger, clearer and more ambitious CSR strategy for the group with focus on how to live it when approved and implemented. The strategy and day to day operation will be based on the requirements from our membership of UN Global Compact and BSCI, and will lead to a set of policies and processes that will ensure that we live up to our own System Frugt Code of Conduct, including an active attitude towards requirements from stakeholders, adoption in policies, clear supplier demands and daily operations. The strategy is expected to be approved during December 2016 where after the implementation starts.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

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 (big).

The accounting policies applied for this consolidated financial statements and parent financial statements are consistent with those applied last year.

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 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.

Accounting policies

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' pro rata shares of the profit/loss and the net assets are disclosed as separate items in the income statement and the balance sheet, respectively.

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

Business combinations

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. On acquisition of enterprises, provisions are made for costs relating to decided and published restructurings in the acquired enterprise. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful life, however, no more than 20 years. Negative differences in amount (negative goodwill), corresponding to an estimated adverse development in the relevant enterprises, are recognised in the balance sheet under deferred income, and they are recognised in the income statement when such adverse development is realised.

Profits or losses from divestment of equity investments

Profits or losses from divestment or winding-up of subsidiaries are calculated as the difference between selling price or settlement price and the carrying amount of the net assets at the time of divestment or winding-up, inclusive of non-amortised goodwill and estimated divestment or winding-up expenses

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. Exchange differences that arise between the rate at the transaction date and the one 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.

Accounting policies

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 write-down 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 expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationary 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 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.

Income taxes

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.

Accounting policies

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 amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. The amortisation period 20 years as it is a strategically acquired enterprises with a strong market position and a long-term earnings profile.

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

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

Accounting policies

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 plus or minus unamortised positive, or negative, goodwill and minus or plus 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.

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 and impairment losses relating to machinery, factory buildings and equipment applied for the manufacturing process as well as costs of factory administration and management. Financing 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 write-downs for bad and doubtful debts.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets 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 calculated on this year's taxable income, adjusted for prepaid tax.

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.

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.

Finance lease commitments

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.

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.

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.

Accounting policies

Financial highlights

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2010" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios reflect
Gross margin (%)	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$	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 (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The Entity's return on capital invested in the Entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the Entity.
Revenue per employee	$\frac{\text{Revenue}}{\text{Average number of employee}}$	Productivity of the entity

Consolidated income statement for 2015/16

	<u>Notes</u>	<u>2015/16 DKK'000</u>	<u>2014/15 DKK'000</u>
Revenue	1	638.840	650.916
Production costs	3	<u>(555.789)</u>	<u>(535.417)</u>
Gross profit/loss		83.051	115.499
Distribution costs	3	(76.519)	(72.828)
Administrative costs	2, 3	<u>(23.824)</u>	<u>(27.193)</u>
Operating profit/loss		(17.292)	15.478
Other financial income		6	27
Other financial expenses		<u>(9.973)</u>	<u>(9.088)</u>
Profit/loss from ordinary activities before tax		(27.259)	6.417
Tax on profit/loss from ordinary activities	4	<u>3.369</u>	<u>(2.846)</u>
Profit/loss for the year		<u>(23.890)</u>	<u>3.571</u>
Proposed distribution of profit/loss			
Retained earnings		<u>(23.890)</u>	<u>3.571</u>
		<u>(23.890)</u>	<u>3.571</u>

Consolidated balance sheet at 30.09.2016

	<u>Notes</u>	<u>2015/16 DKK'000</u>	<u>2014/15 DKK'000</u>
Acquired intangible assets		1.267	1.068
Goodwill		138.798	149.016
Intangible assets	5	<u>140.065</u>	<u>150.084</u>
Plant and machinery		23.085	18.077
Other fixtures and fittings, tools and equipment		8.810	6.704
Leasehold improvements		4.657	4.705
Property, plant and equipment	6	<u>36.552</u>	<u>29.486</u>
Fixed assets		<u>176.617</u>	<u>179.570</u>
Raw materials and consumables		59.875	81.172
Manufactured goods and goods for resale		32.418	34.519
Prepayments for goods		3.576	961
Inventories		<u>95.869</u>	<u>116.652</u>
Trade receivables		35.061	89.606
Receivables from group enterprises		2.181	78
Deferred tax assets		3.787	710
Other short-term receivables		6.800	726
Income tax receivable		794	1.013
Prepayments		826	464
Receivables		<u>49.449</u>	<u>92.597</u>
Cash		<u>4.586</u>	<u>2.703</u>
Current assets		<u>149.904</u>	<u>211.952</u>
Assets		<u><u>326.521</u></u>	<u><u>391.522</u></u>

Consolidated balance sheet at 30.09.2016

	<u>Notes</u>	<u>2015/16 DKK'000</u>	<u>2014/15 DKK'000</u>
Contributed capital		1.109	1.109
Retained earnings		<u>64.367</u>	<u>86.887</u>
Equity		<u>65.476</u>	<u>87.996</u>
Subordinate loan capital		63.759	60.907
Bank loans		30.000	50.000
Finance lease liabilities		<u>730</u>	<u>567</u>
Non-current liabilities other than provisions	7	<u>94.489</u>	<u>111.474</u>
Current portion of long-term liabilities other than provisions	7	20.269	15.155
Bank loans		40.412	71.563
Trade payables		78.020	74.034
Other payables		<u>27.855</u>	<u>31.300</u>
Current liabilities other than provisions		<u>166.556</u>	<u>192.052</u>
Liabilities other than provisions		<u>261.045</u>	<u>303.526</u>
Equity and liabilities		<u><u>326.521</u></u>	<u><u>391.522</u></u>
Unrecognised rental and lease commitments	9		
Contingent liabilities	10		
Mortgages and securities	11		
Consolidation	12		

Consolidated statement of changes in equity for 2015/16

	Contri- buted capi- tal DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	1.109	86.887	87.996
Exchange rate adjustments	0	289	289
Value adjustments	0	1.081	1.081
Profit/loss for the year	0	(23.890)	(23.890)
Equity end of year	1.109	64.367	65.476

Consolidated cash flow statement for 2015/16

	<u>Notes</u>	<u>2015/16 DKK'000</u>	<u>2014/15 DKK'000</u>
Operating profit/loss		(17.292)	15.478
Amortisation, depreciation and impairment losses		19.759	17.959
Working capital changes	8	<u>68.958</u>	<u>(34.289)</u>
Cash flow from ordinary operating activities		71.425	(852)
Financial income received		6	27
Financial income paid		(9.973)	(9.088)
Income taxes refunded/(paid)		<u>206</u>	<u>(3.138)</u>
Cash flows from operating activities		<u>61.664</u>	<u>(13.051)</u>
Acquisition etc of intangible assets		(541)	0
Acquisition etc of property, plant and equipment		(16.446)	(19.918)
Sale of property, plant and equipment		<u>218</u>	<u>348</u>
Cash flows from investing activities		<u>(16.769)</u>	<u>(19.570)</u>
Loans raised		3.345	4.550
Instalments on loans etc		(15.216)	(26.467)
Acquisition of treasury shares		0	(2.430)
Cash increase of capital		<u>0</u>	<u>24.437</u>
Cash flows from financing activities		<u>(11.871)</u>	<u>90</u>
Increase/decrease in cash and cash equivalents		33.024	(32.531)
Cash and cash equivalents beginning of year		(68.860)	(36.205)
Currency translation adjustments of cash and cash equivalents		<u>10</u>	<u>(124)</u>
Cash and cash equivalents end of year		<u>(35.826)</u>	<u>(68.860)</u>
Cash and cash equivalents at year-end are composed of:			
Cash		4.586	2.703
Short-term debt to banks		<u>(40.412)</u>	<u>(71.563)</u>
Cash and cash equivalents end of year		<u>(35.826)</u>	<u>(68.860)</u>

Notes to consolidated financial statements

	2015/16 DKK'000	2014/15 DKK'000
1. Revenue		
Denmark	401.359	399.312
Other Countries	237.481	251.604
	638.840	650.916
	2015/16 DKK'000	2014/15 DKK'000
2. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	353	235
Tax services	280	119
Other services	151	74
	784	428
	2015/16 DKK'000	2014/15 DKK'000
3. Staff costs		
Wages and salaries	79.066	84.403
Pension costs	12.642	11.112
Other social security costs	2.600	2.562
Other staff costs	1.753	2.462
	96.061	100.539
Average number of employees	232	247
	Remune- ration of manage- ment 2015/16 DKK'000	Remune- ration of manage- ment 2014/15 DKK'000
Total amount for management categories	3.438	4.167
	3.438	4.167

Notes to consolidated financial statements

	2015/16 DKK'000	2014/15 DKK'000
4. Tax on profit/loss from ordinary activities		
Tax on current year taxable income	13	1.765
Change in deferred tax for the year	(3.382)	1.081
	(3.369)	2.846
	Acquired intangible assets DKK'000	Goodwill DKK'000
5. Intangible assets		
Cost beginning of year	1.669	210.416
Exchange rate adjustments	0	(3)
Additions	541	0
Cost end of year	2.210	210.413
Amortisation and impairment losses beginning of year	(601)	(61.400)
Exchange rate adjustments	0	1
Amortisation for the year	(342)	(10.216)
Amortisation and impairment losses end of year	(943)	(71.615)
Carrying amount end of year	1.267	138.798

Notes to consolidated financial statements

	Plant and machinery DKK'000	Other fix- tures and fittings, tools and equipment DKK'000	Leasehold improve- ments DKK'000
6. Property, plant and equipment			
Cost beginning of year	52.485	15.710	7.503
Exchange rate adjustments	31	27	0
Additions	9.897	5.104	1.445
Disposals	(10)	(815)	0
Cost end of year	62.403	20.026	8.948
Depreciation and impairment losses beginning of the year	(34.408)	(9.006)	(2.798)
Exchange rate adjustments	(6)	(10)	0
Depreciation for the year	(4.914)	(3.012)	(1.493)
Reversal regarding disposals	10	812	0
Depreciation and impairment losses end of the year	(39.318)	(11.216)	(4.291)
Carrying amount end of year	23.085	8.810	4.657
	Instalments within 12 months 2015/16 DKK'000	Instalments within 12 months 2014/15 DKK'000	Instalments beyond 12 months 2015/16 DKK'000
7. Long-term liabilities other than provisions			
Subordinate loan capital	0	0	63.759
Bank loans	20.000	15.000	30.000
Finance lease liabilities	269	155	730
	20.269	15.155	94.489
		2015/16 DKK'000	2014/15 DKK'000
8. Change in working capital			
Increase/decrease in inventories		20.898	(17.007)
Increase/decrease in receivables		47.586	(1.485)
Increase/decrease in trade payables etc		3.280	(15.797)
		71.764	(34.289)

Notes to consolidated financial statements

	<u>2015/16</u> <u>DKK'000</u>	<u>2014/15</u> <u>DKK'000</u>
9. Unrecognised rental and lease commitments		
Commitments under rental agreements or leases until expiry	<u>14.002</u>	<u>13.710</u>

Unrecognised rental and lease commitments relate to operating leases totalling DKK 6,024k as well as rental commitments totalling DKK 7,978k.

10. 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 30.09.2016 amount to DKK 85,184k.

The Group 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 Group is therefore liable for income taxes etc. for the jointly taxed companies and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

11. Mortgages and securities

The Group has issued letters of credit and payment guarantees through its bank to suppliers amounting to DKK 664k.

12. Consolidation

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

Anpartsselskabet af 9. september 2010, Fredensborg

Parent income statement for 2015/16

	<u>Notes</u>	<u>2015/16 DKK'000</u>	<u>2014/15 DKK'000</u>
Administrative costs		<u>(90)</u>	<u>(228)</u>
Operating profit/loss		(90)	(228)
Income from investments in group enterprises		(17.832)	9.042
Other financial income		71	378
Other financial expenses		<u>(7.677)</u>	<u>(7.261)</u>
Profit/loss from ordinary activities before tax		(25.528)	1.931
Tax on profit/loss from ordinary activities	1	<u>1.638</u>	<u>1.640</u>
Profit/loss for the year		<u>(23.890)</u>	<u>3.571</u>
Proposed distribution of profit/loss			
Retained earnings		<u>(23.890)</u>	<u>3.571</u>
		<u>(23.890)</u>	<u>3.571</u>

Parent balance sheet at 30.09.2016

	<u>Notes</u>	<u>2015/16</u> <u>DKK'000</u>	<u>2014/15</u> <u>DKK'000</u>
Investments in group enterprises		173.592	205.054
Receivables from group enterprises		<u>175</u>	<u>5.000</u>
Fixed asset investments	2	<u>173.767</u>	<u>210.054</u>
Fixed assets		<u>173.767</u>	<u>210.054</u>
Receivables from group enterprises		2.184	26
Deferred tax assets		2.510	872
Income tax receivable		<u>794</u>	<u>2.976</u>
Receivables		<u>5.488</u>	<u>3.874</u>
Cash		<u>5</u>	<u>2</u>
Current assets		<u>5.493</u>	<u>3.876</u>
Assets		<u><u>179.260</u></u>	<u><u>213.930</u></u>

Parent balance sheet at 30.09.2016

	<u>Notes</u>	<u>2015/16 DKK'000</u>	<u>2014/15 DKK'000</u>
Contributed capital	3, 4	1.109	1.109
Retained earnings		<u>64.367</u>	<u>86.887</u>
Equity		<u>65.476</u>	<u>87.996</u>
Subordinate loan capital		63.759	60.907
Bank loans		<u>30.000</u>	<u>50.000</u>
Non-current liabilities other than provisions	5	<u>93.759</u>	<u>110.907</u>
Current portion of long-term liabilities other than provisions	5	20.000	15.000
Other payables		<u>25</u>	<u>27</u>
Current liabilities other than provisions		<u>20.025</u>	<u>15.027</u>
Liabilities other than provisions		<u>113.784</u>	<u>125.934</u>
Equity and liabilities		<u>179.260</u>	<u>213.930</u>
Contingent liabilities	6		
Mortgages and securities	7		
Ownership	8		

Parent statement of changes in equity for 2015/16

	Contri- buted capi- tal DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	1.109	86.887	87.996
Exchange rate adjustments	0	289	289
Value adjustments	0	1.081	1.081
Profit/loss for the year	0	(23.890)	(23.890)
Equity end of year	1.109	64.367	65.476

Notes to parent financial statements

	2015/16	2014/15			
	DKK'000	DKK'000			
1. Tax on profit/loss from ordinary activities					
Tax on current year taxable income	0	(789)			
Change in deferred tax for the year	(1.638)	(851)			
	(1.638)	(1.640)			
	Investments in group enterprises	Receivables from group enterprises			
	DKK'000	DKK'000			
2. Fixed asset investments					
Cost beginning of year	264.203	5.000			
Disposals	0	(4.825)			
Cost end of year	264.203	175			
Impairment losses beginning of year	(59.149)	0			
Adjustments on equity	1.370	0			
Amortisation of goodwill	(9.843)	0			
Share of profit/loss for the year	(7.989)	0			
Dividend	(15.000)	0			
Impairment losses end of year	(90.611)	0			
Carrying amount end of year	173.592	175			
	Number	Nominal value			
		DKK'000			
3. Contributed capital					
Ordinary shares	1.109.449	1.109			
	1.109.449	1.109			
	2015/16	2014/15	2013/14	2012/13	2011/12
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Changes in contributed capital					
Contributed capital beginning of year	1.109	874	700	700	700
Increase of capital	0	235	174	0	0
Contributed capital end of year	1.109	1.109	874	700	700

Notes to parent financial statements

	<u>Number</u>	<u>Nominal value DKK'000</u>	<u>Share of contri- buted capi- tal %</u>
4. Treasury shares			
Holding of treasury shares:			
Ordinary shares	32.340	32.340	2,9
	32.340	32.340	2,9

	<u>Instalments within 12 months 2015/16 DKK'000</u>	<u>Instalments within 12 months 2014/15 DKK'000</u>	<u>Instalments beyond 12 months 2015/16 DKK'000</u>
5. Long-term liabilities other than provi- sions			
Subordinate loan capital	0	0	63.759
Bank loans	20.000	15.000	30.000
	20.000	15.000	93.759

6. Contingent liabilities

The Company 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 40,412k as per 30.09.2016.

7. Mortgages and securities

Investments in group enterprises are pledged as security for the Group's bank debt. At 30 September 2016 the bank debt amounts to DKK 90,412k.

The carrying amount of investments in group enterprises at 30 September 2016 amounts to DKK 170,786k.

Notes to parent financial statements

8. Ownership

The Company has registered the following shareholders as holding more than 5% of the voting rights or more than 5% of the nominal value of the share capital:

Anpartsselskabet af 9. September 2010, Fredensborg
Jørgen Danielsen ApS, Aarhus