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Holding Solina Denmark ApS

Niels Bohrs Vej 55
8660 Skanderborg
Central Business Registration No 34073910

Annual report 2016

The Annual General Meeting adopted the annual report on 26.05.2017

Chairman of the General Meeting

Name:
Bertrand VA

Member of Deloitte Touche Tohmatsu Limited

Contents

Entity details

Entity

Holding Solina Denmark ApS
Niels Bohrs Vej 55
8660 Skanderborg

Central Business Registration No: 34073910
Registered in: Skanderborg
Financial year: 01.01.2016 - 31.12.2016

Statutory reports on the entity's website
Statutory report on corporate social responsibility:https://www.solina-retail.dk/Files/Images/Solina/F%C3%B8devareroversigt/CSR_report_UN_Global_Compact.pdf

Executive Board

Casper Juul Sørensen
Eric Henri Jacques Terré
Bertrand Marie Vaz
Laurent Weber

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 Holding Solina Denmark ApS for the financial year 01.01.2016 - 31.12.2016.

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 31.12.2016 and of the results of its operations and cash flows for the financial year 01.01.2016 - 31.12.2016.

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.

Stilling, 26.05.2017

Executive Board

Casper Juul Sørensen

Eric Henri Jacques Terré

Bertrand Marie Vaz

Laurent Weber

Independent auditor's report

To the shareholders of Holding Solina Denmark ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of Holding Solina Denmark ApS for the financial year 01.01.2016 - 31.12.2016, 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 exits. 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, 26.05.2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Jacob Nørmark
State Authorised Public Accountant

Management commentary

	2016 DKK'000	2014/15 DKK'000	2013/14 DKK'000	2012/13 DKK'000	2011/12 DKK'000
Financial highlights					
Key figures					
Revenue	379.689	438.128	330.675	342.303	334.010
Gross profit/loss	84.649	94.429	66.487	69.260	71.157
Operating profit/loss	14.495	13.711	(1.934)	11.798	13.038
Net financials	(5.826)	(582)	(2.139)	(2.238)	(4.449)
Profit/loss for the year	6.276	9.277	(4.741)	6.097	4.718
Total assets	183.151	191.553	219.824	233.704	230.255
Investments in property, plant and equipment	2.057	2.371	10.478	27.844	5.530
Equity incl minority interests	20.762	14.265	114.897	109.017	100.768
Employees in average	110	110	110	107	110
Ratios					
Gross margin (%)	22,3	21,6	20,1	20,2	21,3
Net margin (%)	1,7	2,1	(1,4)	1,8	1,4
Return on equity (%)	35,8	14,4	(4,2)	5,8	4,7
Equity ratio (%)	11,3	7,4	52,3	46,6	43,8
Revenue per employee	3.451,7	3.983,0	3.006,1	3.199,1	3.036,5

The financial hightlights for 2014/15 is not directly comparable to the comparative figures, as the financial year was extended and covered the periode 01.10.2014-31.12.2015, equak to 15 months, whereas the other year's figures covers a period equal to 12 months each.

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

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

Management commentary

Primary activities

The Company's objective is to acquire and hold investments in Danish limited liability companies and related business.

The Group's primary activity is to manufacture blends of spices and functional ingredients and to sell spices, ingredients, additives, intestine etc. for the industrial market in and outside Denmark. The Group is also a full-line supplier of spices, spice blends, marinades, packaging, intestine and hand tools for butchers as well as for butcher and food specialty stores in the Danish retail sector.

Development in activities and finances

The considerable resources spent in the last financial year on optimisation of the Company's future business model as part of the Solina Group have resulted in considerable progress in revenue as well as earnings. As appears from the statement by Management on the annual report, the financial statements for 2016 cover a period of 12 months, whereas the financial statements 2014-15 cover a period of 15 months. When adjusting for the difference in period, revenue for 2016 has increased by 4.7%, whereas earnings have increased by 24.3%.

Also in 2016, considerable management resources were spent on the establishment of a Nordic region structure within the Solina Group. The Danish company has made considerable contributions within management, sales, development, quality, purchase and finances to set up an even closer and more efficient cooperation across the Nordic countries (incl. the Baltic and CIS states).

Development and profit for the year are considered to be at a satisfactory level.

Outlook

Management is looking forward to continued positive development in the coming financial years when significant synergies, see above integration efforts, are expected to be realised. Moreover, increasing sales are anticipated from a targeted effort towards international and regional key accounts, selected, untapped market segments and general cross-selling activities in which the Company can profit from Solina Group's wide product portfolio.

During 2016, the Company also spent considerable resources on investments in product development in the long term as well as short term from which considerable future benefits are expected to flow to the Company.

Statutory report on corporate social responsibility

he Company has joined the UN Global Compact. The progress report prepared is publicly accessible using the following link:

https://www.solina-retail.dk/Files/Images/Solina/F%C3%B8devareroversigt/CSR_report_UN_Global_Compact.pdf

Management commentary

Statutory report on the underrepresented gender

It is important to Holding Solina Denmark A/S to avoid any kind of discrimination in all parts of the enterprise - in Denmark as well as abroad. It is Holding Solina Denmark A/S' aim that the specific conditions, including working conditions, comply with group policies and with relevant local conditions.

Employment with Holding Solina Denmark A/S is always based on the actual competences for which reason recruitment, promotions and dismissals are never affected by the applicant's or the employee's race, ethnic or social background, gender, religion etc. Our recruitment and promotion processes always pay regard to these targets. Holding Solina Denmark A/S wants the composition of the total workforce of employees and executives to be broad and diversified as we believe this to foster innovation and development and to be a basic condition for continued business success.

Holding Solina Denmark A/S has prepared a policy for equality in the different management bodies of the enterprise with the purpose of securing more female representatives in Management. Thus, it is the Company's target that at least one woman joins the Company's Executive Board by the end of year 2020. At present, there are no women represented on the Executive Board. Another target is that the Company's management group consists of 30% women as a minimum, also by the end of year 2020. At present, there is one woman represented in the management group, which is equal to 11%.

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.

Consolidated income statement for 2016

	Notes	2016 DKK	2014/15 DKK
Revenue	1	379.688.516	438.127.570
Cost of sales		(243.002.089)	(281.335.062)
Production costs	3, 4	(52.037.761)	(62.363.231)
Gross profit/loss		**84.648.666**	**94.429.277**
Distribution costs	3, 4	(51.706.023)	(57.901.685)
Administrative costs	2, 3, 4	(18.447.183)	(23.158.137)
Other operating income		0	341.740
Operating profit/loss		**14.495.460**	**13.711.195**
Other financial income		0	978.914
Other financial expenses		(5.826.372)	(1.560.714)
Profit/loss before tax		**8.669.088**	**13.129.395**
Tax on profit/loss for the year	5	(2.392.792)	(3.852.141)
Profit/loss for the year	6	**6.276.296**	**9.277.254**

Consolidated balance sheet at 31.12.2016

	Notes	2016 DKK	2014/15 DKK
Completed development projects		2.995.928	0
Acquired intangible assets		21.191.741	29.807.536
Goodwill		782.163	1.825.047
Intangible assets	7	**24.969.832**	**31.632.583**
Plant and machinery		18.040.967	23.538.613
Other fixtures and fittings, tools and equipment		2.532.258	4.046.755
Leasehold improvements		12.228.103	13.742.210
Property, plant and equipment in progress		1.457.530	571.909
Property, plant and equipment	8	**34.258.858**	**41.899.487**
Other receivables		2.222.056	2.157.124
Fixed asset investments	9	**2.222.056**	**2.157.124**
Fixed assets		**61.450.746**	**75.689.194**
Raw materials and consumables		41.390.765	47.479.457
Manufactured goods and goods for resale		8.530.661	4.697.268
Inventories		**49.921.426**	**52.176.725**
Trade receivables		59.088.465	59.960.547
Receivables from group enterprises		213.568	318.672
Deferred tax	10	560.536	485.616
Other receivables		519.631	516.152
Income tax receivable		2.458.886	107.444
Prepayments		1.186.262	1.059.740
Receivables		**64.027.348**	**62.448.171**
Cash		**7.751.974**	**1.239.264**
Current assets		**121.700.748**	**115.864.160**
Assets		**183.151.494**	**191.553.354**

Consolidated balance sheet at 31.12.2016

	Notes	2016 DKK	2014/15 DKK
Contributed capital		14.061.995	14.061.995
Retained earnings		6.699.840	203.419
Equity		**20.761.835**	**14.265.414**
Deferred tax	10	7.100.000	9.082.000
Provisions		**7.100.000**	**9.082.000**
Finance lease liabilities		2.028.765	2.945.754
Payables to group enterprises		0	3.738.170
Non-current liabilities other than provisions	11	**2.028.765**	**6.683.924**
Current portion of long-term liabilities other than provisions	11	1.134.100	1.416.066
Bank loans		1.604.952	2.323.857
Trade payables		24.039.796	28.316.478
Payables to group enterprises		107.029.481	111.376.805
Other payables		19.452.565	18.088.810
Current liabilities other than provisions		**153.260.894**	**161.522.016**
Liabilities other than provisions		**155.289.659**	**168.205.940**
Equity and liabilities		**183.151.494**	**191.553.354**
Unrecognised rental and lease commitments	13		
Mortgages and securities	14		
Subsidiaries	15		

Consolidated statement of changes in equity for 2016

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	14.061.995	203.419	14.265.414
Exchange rate adjustments	0	220.125	220.125
Profit/loss for the year	0	6.276.296	6.276.296
Equity end of year	**14.061.995**	**6.699.840**	**20.761.835**

Consolidated cash flow statement for 2016

	Notes	2016 DKK	2014/15 DKK
Operating profit/loss		14.495.460	13.711.195
Amortisation, depreciation and impairment losses		19.955.971	26.091.571
Working capital changes	12	(4.149.519)	101.715.596
Cash flow from ordinary operating activities		**30.301.912**	**141.518.362**
Financial income received		0	978.914
Financial income paid		(5.826.372)	(1.560.714)
Income taxes refunded/(paid)		(6.783.520)	(18.100.994)
Cash flows from operating activities		**17.692.020**	**122.835.568**
Acquisition etc of intangible assets		(3.595.114)	0
Acquisition etc of property, plant and equipment		(2.056.571)	(2.371.118)
Sale of property, plant and equipment		0	418.392
Acquisition of fixed asset investments		(64.427)	(62.789)
Cash flows from investing activities		**(5.716.112)**	**(2.015.515)**
Instalments on loans etc		(1.198.955)	(1.952.945)
Incurrence of debt to group enterprises		0	3.738.170
Repayment of debt to group enterprises		(3.738.170)	0
Dividend paid		0	(109.303.945)
Cash flows from financing activities		**(4.937.125)**	**(107.518.720)**
Increase/decrease in cash and cash equivalents		**7.038.783**	**13.301.333**
Cash and cash equivalents beginning of year		(1.084.593)	(14.385.926)
Currency translation adjustments of cash and cash equivalents		192.832	0
Cash and cash equivalents end of year		**6.147.022**	**(1.084.593)**
Cash and cash equivalents at year-end are composed of:			
Cash		7.751.974	1.239.264
Short-term debt to banks		(1.604.952)	(2.323.857)
Cash and cash equivalents end of year		**6.147.022**	**(1.084.593)**

Notes to consolidated financial statements

1. Revenue	2016 DKK	2014/15 DKK
Denmark	274.496.251	337.132.524
Other EU Countries	30.774.356	30.286.252
Other Countries	74.417.909	70.708.794
	379.688.516	**438.127.570**

2. Fees to the auditor appointed by the Annual General Meeting	2016 DKK	2014/15 DKK
Statutory audit services	175.000	189.000
Other assurance engagements	10.500	222.000
Tax services	25.000	27.000
Other services	79.000	362.980
	289.500	**800.980**

3. Staff costs	2016 DKK	2014/15 DKK
Wages and salaries	51.117.663	59.356.889
Pension costs	3.734.487	4.466.573
Other social security costs	1.223.363	673.211
Staff costs classified as assets	(306.341)	43.366
	55.769.172	**64.540.039**
Average number of employees	**110**	**110**

Referring to S. 98b, 3 of the Danish Financial Statement Act, disclosures on management's remuneration have been omitted.

4. Depreciation, amortisation and impairment losses	2016 DKK	2014/15 DKK
Amortisation of intangible assets	10.257.865	13.856.939
Depreciation on property, plant and equipment	9.698.106	12.243.988
Profit/loss from sale of intangible assets and property, plant and equipment	0	(9.356)
	19.955.971	**26.091.571**

Notes to consolidated financial statements

	2016 DKK	2014/15 DKK
5. Tax on profit/loss for the year		
Tax on current year taxable income	4.514.500	7.877.141
Change in deferred tax for the year	(2.039.286)	(4.025.000)
Adjustment concerning previous years	(82.422)	0
	2.392.792	**3.852.141**

	2016 DKK	2014/15 DKK
6. Proposed distribution of profit/loss		
Extraordinary dividend distributed in the financial year	0	109.303.945
Retained earnings	6.276.296	(100.026.691)
	6.276.296	**9.277.254**

	Completed develop-ment projects DKK	Acquired intangible assets DKK	Goodwill DKK
7. Intangible assets			
Cost beginning of year	0	63.929.253	5.593.243
Additions	3.595.114	0	0
Cost end of year	**3.595.114**	**63.929.253**	**5.593.243**
Amortisation and impairment losses beginning of year	0	(34.121.717)	(3.768.196)
Amortisation for the year	(599.186)	(8.615.795)	(1.042.884)
Amortisation and impairment losses end of year	**(599.186)**	**(42.737.512)**	**(4.811.080)**
Carrying amount end of year	**2.995.928**	**21.191.741**	**782.163**

Notes to consolidated financial statements

8. Property, plant and equipment	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improve-ments DKK	Property, plant and equipment in progress DKK
Cost beginning of year	40.143.439	11.336.270	17.622.055	571.909
Exchange rate adjustments	0	1.896	0	0
Transfers	283.111	838.215	14.556	(1.135.882)
Additions	27.978	0	7.090	2.021.503
Cost end of year	**40.454.528**	**12.176.381**	**17.643.701**	**1.457.530**
Depreciation and impairment losses beginning of the year	(16.604.826)	(7.289.515)	(3.879.845)	0
Exchange rate adjustments	0	(990)	0	0
Depreciation for the year	(5.808.735)	(2.353.618)	(1.535.753)	0
Depreciation and impairment losses end of the year	**(22.413.561)**	**(9.644.123)**	**(5.415.598)**	**0**
Carrying amount end of year	**18.040.967**	**2.532.258**	**12.228.103**	**1.457.530**
Recognised assets not owned by entity	**4.041.565**	-	-	-

9. Fixed asset investments	Other receivables DKK
Cost beginning of year	2.157.124
Additions	64.932
Cost end of year	**2.222.056**
Carrying amount end of year	**2.222.056**

10. Deferred tax	2016 DKK	2014/15 DKK
Intangible assets	5.224.994	6.438.343
Property, plant and equipment	1.816.000	2.574.000
Other taxable temporary differences	(501.530)	(415.959)
	6.539.464	**8.596.384**

Notes to consolidated financial statements

Deferred tax amounted to DKK 8,596,384 at 31.12.2015 and has been adjusted by DKK (2,056,920) in the financial year. The adjustment has been recognised at DKK 2,039,286 in profit/loss for the year, and deferred tax has been value adjusted by DKK 17,634. Thus, deferred tax amounts to DKK 6,539,464 at 31.12.2016.

	Instalments within 12 months 2016 DKK	Instalments within 12 months 2014/15 DKK	Instalments beyond 12 months 2016 DKK
11. Liabilities other than provisions			
Finance lease liabilities	1.134.100	1.416.066	2.028.765
	1.134.100	**1.416.066**	**2.028.765**

	2016 DKK	2014/15 DKK
12. Change in working capital		
Increase/decrease in inventories	2.255.299	(9.380.805)
Increase/decrease in receivables	847.179	(3.679.576)
Increase/decrease in trade payables etc	(7.251.997)	114.775.977
	(4.149.519)	**101.715.596**

	2016 DKK	2014/15 DKK
13. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	**45.131.060**	**49.791.215**

14. Mortgages and securities

Certain plant and machinery as well as other fixtures, etc have been financed by means of finance leases. The carrying amount of assets held under finance leases amounts to DKK 4.041.565.

The Company SFK Food A/S has provided a floating charge to Sydbank A/S of DKK 95,000,000. The floating charge is granted on unsecured claims, inventories, operating equipment as well as intellectual property rights.

	Registered in	Equity interest %
15. Subsidiaries		
SFK Food A/S	Skanderborg	100,0
Solina Norway AS	Norway	100,0

Parent income statement for 2016

	Notes	2016 DKK	2014/15 DKK
Administrative costs		(581)	(83.401)
Operating profit/loss		**(581)**	**(83.401)**
Income from investments in group enterprises		9.044.294	8.945.861
Other financial income		1.704.906	719.338
Other financial expenses		(5.253.040)	(208.119)
Profit/loss before tax		**5.495.579**	**9.373.679**
Tax on profit/loss for the year	1	780.717	(96.425)
Profit/loss for the year	2	**6.276.296**	**9.277.254**

Parent balance sheet at 31.12.2016

	Notes	2016 DKK	2014/15 DKK
Investments in group enterprises		101.281.517	92.017.098
Fixed asset investments	3	**101.281.517**	**92.017.098**
Fixed assets		**101.281.517**	**92.017.098**
Receivables from group enterprises		23.886.457	31.934.777
Income tax receivable		780.717	0
Receivables		**24.667.174**	**31.934.777**
Cash		**6.460**	**7.041**
Current assets		**24.673.634**	**31.941.818**
Assets		**125.955.151**	**123.958.916**

Parent balance sheet at 31.12.2016

	Notes	2016 DKK	2014/15 DKK
Contributed capital	4	14.061.995	14.061.995
Reserve for net revaluation according to the equity method		5.542.612	0
Retained earnings		1.157.229	203.420
Equity		**20.761.836**	**14.265.415**
Payables to group enterprises		105.193.315	109.505.184
Income tax payable		0	88.317
Other payables		0	100.000
Current liabilities other than provisions		**105.193.315**	**109.693.501**
Liabilities other than provisions		**105.193.315**	**109.693.501**
Equity and liabilities		**125.955.151**	**123.958.916**
Contingent liabilities	5		
Mortgages and securities	6		

Parent statement of changes in equity for 2016

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Total DKK
Equity beginning of year	14.061.995	0	203.420	14.265.415
Exchange rate adjustments	0	220.125	0	220.125
Profit/loss for the year	0	5.322.487	953.809	6.276.296
Equity end of year	**14.061.995**	**5.542.612**	**1.157.229**	**20.761.836**

Notes to parent financial statements

	2016 DKK	2014/15 DKK
1. Tax on profit/loss for the year		
Tax on current year taxable income	(780.717)	96.425
	(780.717)	**96.425**

	2016 DKK	2014/15 DKK
2. Proposed distribution of profit/loss		
Extraordinary dividend distributed in the financial year	0	109.303.945
Transferred to reserve for net revaluation according to the equity method	5.322.487	(5.554.598)
Retained earnings	953.809	(94.472.093)
	6.276.296	**9.277.254**

	Investments in group enterprises DKK
3. Fixed asset investments	
Cost beginning of year	95.738.905
Cost end of year	**95.738.905**
Revaluations beginning of year	(3.721.807)
Exchange rate adjustments	220.125
Amortisation of goodwill	(613.547)
Share of profit/loss for the year	9.657.841
Revaluations end of year	**5.542.612**
Carrying amount end of year	**101.281.517**

	Number	Par value DKK	Nominal value DKK
4. Contributed capital			
Ordinary shares	14.061.995	1	14.061.995
	14.061.995		**14.061.995**

5. Contingent liabilities

The Company provides guarantee for the bank debt in the subsidiary SFK Food A/S.

Bank debt in the subsidiary amounts to DKK 1.604.952 as per 31.12.2016.

Notes to parent financial statements

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

6. Mortgages and securities
Investments in subsidiary have been provided as security for bank loans raised by the subsidiary SFK Food A/S.

The carrying amount of the subsidiary is DKK 101.281.517.

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 except for a few reclassifications.

Non-comparability

The financial year 2014/15 was an extended financial year that covered the period 01.10.2014-31.12.2015, equal to 15 months, whereas this year's figures cover the period 01.01.2015-31.12.2016, equal to 12 months. Consequently, this year's figures are not directly comparable to the comparative figures in the income statement.

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.

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.

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.

Accounting policies

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.

Cost of sales

Cost of sales comprises cost of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

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 costs

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 operating income

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

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities in foreign currencies, as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on transactions in foreign currencies as well as tax surcharge under the Danish Tax Prepayment Scheme 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.

Accounting policies

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 is usually five 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.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirect attributable staff costs and amortisation of intangible assets and depreciation on property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using the estimated useful lives of the assets. The amortisation period is five years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their estimated usage. Amortization period is 3-7 years, but over no more than the retaining maturity of the relevant rights.

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

Property, plant and equipment

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

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	3-10 years

Accounting policies

Other fixtures and fittings, tools and equipment	1-5 years
Leasehold improvements	7-12 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassesed anually.

Property, plant and equipment 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 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.

Goodwill is calculated as the difference between cost of the investments and fair value of the assets and liabilities acquired. Goodwill is amortised over its estimated useful life which is 5 years.

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 write-downs for bad and doubtful debts.

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.

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.

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.

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.

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.

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.

Accounting policies

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