

## **CARNAD A/S**

Falstervej 6  
9670 Løgstør  
Business Registration No  
34580375

## **Annual report 2018**

The Annual General Meeting adopted the annual report on 13.02.2019

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

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Name: Johnny Koch

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## Entity details

### Entity

CARNAD A/S  
Falstervej 6  
9670 Løgstør

Central Business Registration No (CVR): 34580375

Registered in: Vesthimmerlands

Financial year: 01.01.2018 - 31.12.2018

### Board of Directors

Asbjørn Berge, chairman  
Gert Jørn Kjeldsen  
Marie Terese Seest Jensen

### Executive Board

Johnny Koch, CEO

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab  
Østre Havnepromenade 26, 4. sal  
9000 Aalborg

## Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of CARNAD A/S for the financial year 01.01.2018 - 31.12.2018.

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 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

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.

Løgstør, 13.02.2019

### Executive Board

Johnny Koch  
CEO

### Board of Directors

Asbjørn Berge  
chairman

Gert Jørn Kjeldsen

Marie Terese Seest Jensen

# Independent auditor's report

## To the shareholders of CARNAD A/S

### Opinion

We have audited the financial statements of CARNAD A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

### Basis for opinion

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

### Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

## Independent auditor's report

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

## Independent auditor's report

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

Aalborg, 13.02.2019

### **Deloitte**

Statsautoriseret Revisionspartnerselskab  
Central Business Registration No (CVR)  
33963556

Ove Nørskov  
State Authorised Public Accountant  
Identification No (MNE) mne10812

Claus Bjørnlund  
State Authorised Public Accountant  
Identification No (MNE) mne33216

## Management commentary

### Primary activities

Carnad is engaged in production and development of clean label stocks, broths and extracts for the food industry. All products are free from additives.

The Enterprise offers clean label products from more than 22 different types of raw material, conventional, organic as well as Halal.

### Development in activities and finances

Profit for 2018 amounted to DKK 4,111k after recognition of tax of DKK 1,161k, which is considered satisfactory.

### 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.



## Income statement for 2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
<b>Gross profit</b>		<b>9.575.270</b>	<b>4.283.130</b>
Staff costs	1	(3.206.017)	(2.384.257)
Depreciation, amortisation and impairment losses	2	<u>(615.959)</u>	<u>(540.200)</u>
<b>Operating profit/loss</b>		<b>5.753.294</b>	<b>1.358.673</b>
Other financial income		11.128	0
Other financial expenses		<u>(491.956)</u>	<u>(931.713)</u>
<b>Profit/loss before tax</b>		<b>5.272.466</b>	<b>426.960</b>
Tax on profit/loss for the year	3	<u>(1.161.053)</u>	<u>(95.000)</u>
<b>Profit/loss for the year</b>		<b><u>4.111.413</u></b>	<b><u>331.960</u></b>
<b>Proposed distribution of profit/loss</b>			
Retained earnings		<u>4.111.413</u>	<u>331.960</u>
		<b><u>4.111.413</u></b>	<b><u>331.960</u></b>

## Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Goodwill		550.020	711.551
<b>Intangible assets</b>	4	<b>550.020</b>	<b>711.551</b>
Land and buildings		8.845.158	8.989.449
Plant and machinery		3.551.278	2.691.780
Property, plant and equipment in progress		120.346	0
<b>Property, plant and equipment</b>	5	<b>12.516.782</b>	<b>11.681.229</b>
<b>Fixed assets</b>		<b>13.066.802</b>	<b>12.392.780</b>
Raw materials and consumables		50.000	0
Manufactured goods and goods for resale		2.541.000	1.573.219
<b>Inventories</b>		<b>2.591.000</b>	<b>1.573.219</b>
Trade receivables		1.641.362	975.208
Deferred tax		0	230.000
Other receivables		257.134	523.737
Prepayments		71.789	79.582
<b>Receivables</b>		<b>1.970.285</b>	<b>1.808.527</b>
<b>Cash</b>		<b>2.374.651</b>	<b>340.275</b>
<b>Current assets</b>		<b>6.935.936</b>	<b>3.722.021</b>
<b>Assets</b>		<b>20.002.738</b>	<b>16.114.801</b>

## Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Contributed capital		594.558	594.558
Share premium		2.777.688	2.777.688
Retained earnings		2.590.801	(1.520.612)
<b>Equity</b>		<b>5.963.047</b>	<b>1.851.634</b>
Deferred tax		108.300	0
<b>Provisions</b>		<b>108.300</b>	<b>0</b>
Mortgage debt		1.665.223	1.846.834
Bank loans		9.127.058	9.070.145
Debt to other credit institutions		259.368	345.824
Convertible and dividend-yielding debt instruments		494.648	494.648
<b>Non-current liabilities other than provisions</b>	6	<b>11.546.297</b>	<b>11.757.451</b>
Current portion of long-term liabilities other than provisions	6	609.587	458.800
Bank loans		5.425	1.008.912
Trade payables		619.593	824.358
Income tax payable		822.753	0
Other payables		327.736	213.646
<b>Current liabilities other than provisions</b>		<b>2.385.094</b>	<b>2.505.716</b>
<b>Liabilities other than provisions</b>		<b>13.931.391</b>	<b>14.263.167</b>
<b>Equity and liabilities</b>		<b>20.002.738</b>	<b>16.114.801</b>
Unrecognised rental and lease commitments	7		
Assets charged and collateral	8		

## Statement of changes in equity for 2018

	Contributed capital DKK	Share premium DKK	Retained earnings DKK	Total DKK
Equity beginning of year	594.558	2.777.688	(1.520.612)	1.851.634
Profit/loss for the year	0	0	4.111.413	4.111.413
<b>Equity end of year</b>	<b>594.558</b>	<b>2.777.688</b>	<b>2.590.801</b>	<b>5.963.047</b>

## Notes

	<b>2018</b>	<b>2017</b>
	<b>DKK</b>	<b>DKK</b>
<b>1. Staff costs</b>		
Wages and salaries	2.751.812	2.099.778
Pension costs	400.189	247.670
Other social security costs	54.016	36.809
	<b>3.206.017</b>	<b>2.384.257</b>
 Average number of employees	 <b>6</b>	
	<b>2018</b>	<b>2017</b>
	<b>DKK</b>	<b>DKK</b>
<b>2. Depreciation, amortisation and impairment losses</b>		
Amortisation of intangible assets	161.531	162.000
Depreciation of property, plant and equipment	454.428	378.200
	<b>615.959</b>	<b>540.200</b>
	<b>2018</b>	<b>2017</b>
	<b>DKK</b>	<b>DKK</b>
<b>3. Tax on profit/loss for the year</b>		
Current tax	822.753	0
Change in deferred tax	338.300	95.000
	<b>1.161.053</b>	<b>95.000</b>
		<b>Goodwill</b>
		<b>DKK</b>
<b>4. Intangible assets</b>		
Cost beginning of year		1.615.308
<b>Cost end of year</b>		<b>1.615.308</b>
Amortisation and impairment losses beginning of year		(903.757)
Amortisation for the year		(161.531)
<b>Amortisation and impairment losses end of year</b>		<b>(1.065.288)</b>
<b>Carrying amount end of year</b>		<b>550.020</b>

## Notes

	Land and buildings DKK	Plant and machinery DKK	Property, plant and equipment in progress DKK
<b>5. Property, plant and equipment</b>			
Cost beginning of year	9.984.498	3.643.652	0
Additions	35.779	1.133.856	120.346
<b>Cost end of year</b>	<b>10.020.277</b>	<b>4.777.508</b>	<b>120.346</b>
Depreciation and impairment losses beginning of year	(995.049)	(951.872)	0
Depreciation for the year	(180.070)	(274.358)	0
<b>Depreciation and impairment losses end of year</b>	<b>(1.175.119)</b>	<b>(1.226.230)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>8.845.158</b>	<b>3.551.278</b>	<b>120.346</b>

	Due within 12 months 2018 DKK	Due within 12 months 2017 DKK	Due after more than 12 months 2018 DKK	Outstanding after 5 years DKK
<b>6. Liabilities other than provisions</b>				
Mortgage debt	186.675	185.888	1.665.223	959.085
Bank loans	250.000	100.000	9.127.058	10.047.506
Debt to other credit institutions	172.912	172.912	259.368	0
Convertible and dividend- yielding debt instruments	0	0	494.648	494.648
	<b>609.587</b>	<b>458.800</b>	<b>11.546.297</b>	<b>11.501.239</b>

	2018 DKK	2017 DKK
<b>7. Unrecognised rental and lease commitments</b>		
Liabilities under rental or lease agreements until maturity in total	<b>158.500</b>	<b>242.000</b>

## Notes

### **8. Assets charged and collateral**

Mortgage debt is secured by way of mortgage on properties. The mortgage also comprises the plant and machinery deemed part of the properties.

Bank debt is secured by way of a deposited mortgage registered to the mortgagor of a nominal value of DKK 9,035,437 on buildings and production plant as well as an all monies mortgage (floating charge) of a nominal value of DKK 5,000,000 on trade receivables, operating equipment, goodwill and other intangible assets and inventories.

Payables to Nordjysk Lånefond are secured on a deposited mortgage registered to the mortgagor of a nominal value of DKK 864,563 on buildings.

The carrying amount of mortgaged properties is DKK 8,965,504, the carrying amount of mortgaged production plant is 3,551,278, the carrying amount of mortgaged goodwill is 550,020, the carrying amount of mortgaged inventories is 2,591,000, and the carrying amount of mortgaged trade receivables is 1,641,342.

## Accounting policies

### Reporting class

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

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

### Income statement

#### Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, cost of raw materials and consumables and external expenses.

#### 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.

#### Other operating income

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

#### Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

#### Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

#### Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

#### Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

#### Other financial income

Other financial income comprises net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.



## Accounting policies

### Other financial expenses

Other financial expenses comprise interest expenses, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities 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.

### Balance sheet

#### Goodwill

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. The amortisation periods used are 10 years.

Goodwill is 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.

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:

Buildings (Residual value DKK 455k)	50 years
Plant and machinery (Residual value DKK 1.635k)	5-10 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment 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.

## Accounting policies

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

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

### Receivables

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

### 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 the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability.

### Mortgage debt

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

### Operating leases

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

### Other financial liabilities

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

### Income tax receivable or payable

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