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# EFD Investment A/S

Jægersborg Alle 4, 5.
2920 Charlottenlund
Central Business Registration
No 36978791

# Annual report 2016

The Annual General Meeting adopted the annual report on 28.03.2017

**Chairman of the General Meeting**

Jørgen Jensen

Name: Jørgen Jensen

# Contents

# Entity details

**Entity**

EFD Investment A/S
Jægersborg Alle 4, 5.
2920 Charlottenlund

Central Business Registration No: 36978791
Registered in: Gentofte
Financial year: 01.01.2016 - 31.12.2016

**Board of Directors**

Jørgen Jensen
Nicholas Andrew Vince
Thomas Marstrand
Per Toft Valstorp

**Executive Board**

Thomas Marstrand

**Auditors**

Deloitte Statsautoriseret Revisionspartnerselskab
Dokken 8
Postbox 200
6701 Esbjerg

# Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of EFD Investment A/S 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.

Charlottenlund, 28.03.2017

**Executive Board**

Thomas Marstrand

**Board of Directors**

Jørgen Jensen

Nicholas Andrew Vince

Thomas Marstrand

Per Toft Valstorp

# Independent auditor's report

**To the shareholder of EFD Investment A/S**

**Opinion**

We have audited the consolidated financial statements and the parent financial statements of EFD Investment A/S 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.

Esbjerg, 28.03.2017

**Deloitte**
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Jørn Jepsen
statsautoriseret revisor

# Management commentary

| | 2016 DKK'000 | 2015 DKK'000 |
|---|---|---|
| **Financial highlights** | | |
| **Key figures** | | |
| Gross profit | 69.226 | 38.580 |
| Operating profit/loss | 29.054 | 5.141 |
| Net financials | (1.101) | (425) |
| Profit/loss for the year | 21.902 | 3.644 |
| Total assets | 119.962 | 134.696 |
| Investments in property, plant and equipment | 6.272 | 58.576 |
| Equity | 74.805 | 58.308 |
| Cash flows from (used in) operating activities | 33.596 | 11.716 |
| Cash flows from (used in) investing activities | (6.272) | (113.484) |
| Cash flows from (used in) financing activities | (4.292) | 82.651 |
| | | |
| **Ratios** | | |
| Return on equity (%) | 32,9 | 6,3 |
| Equity ratio (%) | 62,4 | 43,3 |

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

| Ratios | Calculation formula | Ratios |
|---|---|---|
| Return on equity (%) | $\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$ | The entity's return on capital invested in the entity by the owners. |
| Equity ratio (%) | $\frac{\text{Equity x 100}}{\text{Total assets}}$ | The financial strength of the entity. |

# Management commentary

**Primary activities**
The company deals primarily with the production and sale of freeze dried food ingredients. The company also specializes in the contract freeze drying of food and non-food products, and with the production and sale of freeze dried meals and other freeze dried products for retail sale.

The company primarily operates in the European market, serving customers from two plants in Denmark and one plant in UK.

The company has experienced a positive development in it´s toll drying activities, further more the company has worked on the launch of two new brands for the outdoor segment.

**Development in activities and finances**
Profit/loss for the year amounts to a profit of DKK 21,902k against a profit last year of DKK 3,644k. The equity amounts to DKK 74,805k as of 31.12.2016.

**Profit/loss for the year in relation to expected developments**
The Group's earnings for 2016 are better than expected.

**Outlook**
Expectations for 2017 are positive. The inflow of orders is still at a relatively high level.

**Particular risks**
Most of the Group's sales take place outside Denmark and the majority is invoiced in foreign currencies. The Group evaluates on an ongoing basis the need to use financial instruments to hedge net positions and future transactions.

**Environmental performance**
The Group is environmentally conscious and works regularly on improving the environmental impact from own operations.

**Research and development activities**
It is important to the Group to maintain a market leadership which is secured by a regular product development.

**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 | 2015 DKK |
|---|---|---|---|
| **Gross profit** | | **69.226.332** | **38.580.243** |
| Staff costs | 1 | (33.049.584) | (28.990.489) |
| Depreciation, amortisation and impairment losses | 2 | (7.123.202) | (4.449.160) |
| **Operating profit/loss** | | **29.053.546** | **5.140.594** |
| Other financial income | | 1.229 | 111.747 |
| Other financial expenses | | (1.101.740) | (536.303) |
| **Profit/loss before tax** | | **27.953.035** | **4.716.038** |
| Tax on profit/loss for the year | 3 | (6.051.025) | (1.071.739) |
| **Profit/loss for the year** | 4 | **21.902.010** | **3.644.299** |

# Consolidated balance sheet at 31.12.2016

| | Notes | 2016 DKK | 2015 DKK |
|---|---|---|---|
| Goodwill | | 26.279.727 | 27.687.570 |
| **Intangible assets** | 5 | **26.279.727** | **27.687.570** |
| Land and buildings | | 25.172.059 | 26.266.220 |
| Plant and machinery | | 29.856.288 | 30.172.959 |
| Other fixtures and fittings, tools and equipment | | 707.392 | 6.165 |
| **Property, plant and equipment** | 6 | **55.735.739** | **56.445.344** |
| **Fixed assets** | | **82.015.466** | **84.132.914** |
| Raw materials and consumables | | 10.078.825 | 13.745.498 |
| **Inventories** | | **10.078.825** | **13.745.498** |
| Trade receivables | | 23.885.763 | 26.084.728 |
| Other receivables | | 66.873 | 1.719.397 |
| Prepayments | | 0 | 25.338 |
| **Receivables** | | **23.952.636** | **27.829.463** |
| **Cash** | | **3.915.032** | **8.987.879** |
| **Current assets** | | **37.946.493** | **50.562.840** |
| **Assets** | | **119.961.959** | **134.695.754** |

# Consolidated balance sheet at 31.12.2016

| | Notes | 2016 DKK | 2015 DKK |
|---|---|---|---|
| Contributed capital | | 1.000.000 | 1.000.000 |
| Retained earnings | | 73.804.570 | 57.308.406 |
| **Equity** | | **74.804.570** | **58.308.406** |
| Deferred tax | 7 | 489.985 | 453.767 |
| **Provisions** | | **489.985** | **453.767** |
| Subordinate loan capital | | 3.333.334 | 5.000.000 |
| Mortgage debts | | 2.733.754 | 3.426.540 |
| Bank loans | | 14.361.179 | 23.000.000 |
| **Non-current liabilities other than provisions** | 8 | **20.428.267** | **31.426.540** |
| Current portion of long-term liabilities other than provisions | 8 | 8.346.478 | 1.640.554 |
| Bank loans | | 0 | 28.104.894 |
| Trade payables | | 7.813.930 | 8.603.535 |
| Income tax payable | | 661.558 | 1.389.310 |
| Other payables | | 7.417.171 | 4.768.748 |
| **Current liabilities other than provisions** | | **24.239.137** | **44.507.041** |
| **Liabilities other than provisions** | | **44.667.404** | **75.933.581** |
| **Equity and liabilities** | | **119.961.959** | **134.695.754** |
| Mortgages and securities | 10 | | |
| Transactions with related parties | 11 | | |
| Subsidiaries | 12 | | |

# Consolidated statement of changes in equity for 2016

| | Contributed capital DKK | Retained earnings DKK | Total DKK |
|---|---|---|---|
| Equity beginning of year | 1.000.000 | 57.308.406 | 58.308.406 |
| Exchange rate adjustments | 0 | (5.405.846) | (5.405.846) |
| Profit/loss for the year | 0 | 21.902.010 | 21.902.010 |
| **Equity end of year** | **1.000.000** | **73.804.570** | **74.804.570** |

# Consolidated cash flow statement for 2016

| | Notes | 2016 DKK | 2015 DKK |
|---|---|---|---|
| Operating profit/loss | | 29.053.546 | 5.140.594 |
| Amortisation, depreciation and impairment losses | | 7.123.202 | 2.556.459 |
| Working capital changes | 9 | 9.402.318 | 7.640.772 |
| **Cash flow from ordinary operating activities** | | **45.579.066** | **15.337.825** |
| Financial income received | | 1.229 | 155.311 |
| Financial income paid | | (5.241.536) | (872.318) |
| Income taxes refunded/(paid) | | (6.742.559) | (2.904.950) |
| **Cash flows from operating activities** | | **33.596.200** | **11.715.868** |
| Acquisition etc of property, plant and equipment | | (6.271.804) | (4.260.206) |
| Acquisition of enterprises | | 0 | (109.223.696) |
| **Cash flows from investing activities** | | **(6.271.804)** | **(113.483.902)** |
| Loans raised | | 0 | 29.640.554 |
| Instalments on loans etc | | (4.292.349) | (636.309) |
| Cash increase of capital | | 0 | 55.000.000 |
| Other cash flows from financing activities | | 0 | (1.353.226) |
| **Cash flows from financing activities** | | **(4.292.349)** | **82.651.019** |
| **Increase/decrease in cash and cash equivalents** | | **23.032.047** | **(19.117.015)** |
| Cash and cash equivalents beginning of year | | (19.117.015) | 0 |
| **Cash and cash equivalents end of year** | | **3.915.032** | **(19.117.015)** |
| Cash and cash equivalents at year-end are composed of: | | | |
| Cash | | 3.915.032 | 8.987.879 |
| Short-term debt to banks | | 0 | (28.104.894) |
| **Cash and cash equivalents end of year** | | **3.915.032** | **(19.117.015)** |

# Notes to consolidated financial statements

| | 2016 DKK | 2015 DKK |
|---|---|---|
| **1. Staff costs** | | |
| Wages and salaries | 26.122.800 | 24.213.924 |
| Pension costs | 2.113.937 | 1.235.408 |
| Other social security costs | 1.192.758 | 2.145.979 |
| Other staff costs | 3.620.089 | 1.395.178 |
| | **33.049.584** | **28.990.489** |
| Average number of employees | **66** | |

| | Remuneration of management 2016 DKK |
|---|---|
| Executive Board | 876.050 |
| Board of Directors | 190.317 |
| | **1.066.367** |

| | 2016 DKK | 2015 DKK |
|---|---|---|
| **2. Depreciation, amortisation and impairment losses** | | |
| Amortisation of intangible assets | 1.407.843 | 469.281 |
| Depreciation of property, plant and equipment | 5.715.359 | 3.797.890 |
| Impairment losses on property, plant and equipment | 0 | 181.989 |
| | **7.123.202** | **4.449.160** |

| | 2016 DKK | 2015 DKK |
|---|---|---|
| **3. Tax on profit/loss for the year** | | |
| Tax on current year taxable income | 6.014.807 | 379.308 |
| Change in deferred tax for the year | 36.218 | 741.295 |
| Effect of changed tax rates | 0 | (48.864) |
| | **6.051.025** | **1.071.739** |

| | 2016 DKK | 2015 DKK |
|---|---|---|
| **4. Proposed distribution of profit/loss** | | |
| Retained earnings | 21.902.010 | 3.644.299 |
| | **21.902.010** | **3.644.299** |

# Notes to consolidated financial statements

| | Goodwill DKK |
|---|---|
| **5. Intangible assets** | |
| Cost beginning of year | 28.156.851 |
| **Cost end of year** | **28.156.851** |
| | |
| Amortisation and impairment losses beginning of year | (469.281) |
| Amortisation for the year | (1.407.843) |
| **Amortisation and impairment losses end of year** | **(1.877.124)** |
| | |
| **Carrying amount end of year** | **26.279.727** |

| | Land and buildings DKK | Plant and machinery DKK | Other fixtures and fittings, tools and equipment DKK |
|---|---|---|---|
| **6. Property, plant and equipment** | | | |
| Cost beginning of year | 27.009.407 | 31.558.337 | 8.220 |
| Exchange rate adjustments | (18.365) | (1.438.154) | 0 |
| Additions | 360.281 | 5.208.241 | 703.282 |
| Disposals | 0 | (416.898) | 0 |
| **Cost end of year** | **27.351.323** | **34.911.526** | **711.502** |
| | | | |
| Depreciation and impairment losses beginning of the year | (743.187) | (1.385.378) | (2.055) |
| Exchange rate adjustments | 1.783 | 188.686 | 0 |
| Depreciation for the year | (1.437.860) | (4.275.444) | (2.055) |
| Reversal regarding disposals | 0 | 416.898 | 0 |
| **Depreciation and impairment losses end of the year** | **(2.179.264)** | **(5.055.238)** | **(4.110)** |
| | | | |
| **Carrying amount end of year** | **25.172.059** | **29.856.288** | **707.392** |

| | 2016 DKK |
|---|---|
| **7. Deferred tax** | |
| **Changes during the year** | |
| Beginning of year | 453.767 |
| Recognised in the income statement | 36.218 |
| **End of year** | **489.985** |

# Notes to consolidated financial statements

| | Instalments within 12 months 2016 DKK | Instalments within 12 months 2015 DKK | Instalments beyond 12 months 2016 DKK | Outstanding after 5 years DKK |
|---|---|---|---|---|
| **8. Liabilities other than provisions** | | | | |
| Subordinate loan capital | 1.666.666 | 0 | 3.333.334 | 0 |
| Mortgage debts | 679.812 | 640.554 | 2.733.754 | 722.000 |
| Bank loans | 6.000.000 | 1.000.000 | 14.361.179 | 0 |
| | **8.346.478** | **1.640.554** | **20.428.267** | **722.000** |

| | 2016 DKK | 2015 DKK |
|---|---|---|
| **9. Change in working capital** | | |
| Increase/decrease in inventories | 3.666.673 | 269.050 |
| Increase/decrease in receivables | 3.876.827 | 10.939.369 |
| Increase/decrease in trade payables etc | 1.858.818 | (3.567.647) |
| | **9.402.318** | **7.640.772** |

**10. Mortgages and securities**

Mortgage debt is secured by way of mortgage on properties.

Bank debt is secured by way of a deposited mortgage deed registered to the mortgagor on properties of DKK 28,000k nominal.

The carrying amount of mortgaged properties amounts to DKK 25,172k.

**11. Transactions with related parties**

According to section 98c(7) of the Danish Financial Statements Act, only arm's length related party transactions are disclosed. However, all transactions have been made on an arm's length basis in the financial year.

| | Registered in | Corporate form | Equity interest % |
|---|---|---|---|
| **12. Subsidiaries** | | | |
| European Freeze Dry ApS | Lejre | ApS | 100,0 |
| European Freeze Dry Ltd | England | Ltd | 100,0 |

# Parent income statement for 2016

| | Notes | 2016 DKK | 2015 DKK |
|---|---|---|---|
| **Gross profit** | | **243.618** | **(184.228)** |
| Income from investments in group enterprises | | 21.912.793 | 4.072.567 |
| Other financial expenses | | (257.401) | (375.040) |
| **Profit/loss before tax** | | **21.899.010** | **3.513.299** |
| Tax on profit/loss for the year | 1 | 3.000 | 131.000 |
| **Profit/loss for the year** | 2 | **21.902.010** | **3.644.299** |

# Parent balance sheet at 31.12.2016

| | Notes | 2016 DKK | 2015 DKK |
|---|---|---|---|
| Investments in group enterprises | | 79.067.318 | 63.310.370 |
| **Fixed asset investments** | 3 | **79.067.318** | **63.310.370** |
| **Fixed assets** | | **79.067.318** | **63.310.370** |
| Receivables from group enterprises | | 410.647 | 83.250 |
| Income tax receivable | | 443.000 | 339.000 |
| Joint taxation contribution receivable | | 1.104.558 | 0 |
| Prepayments | 4 | 0 | 25.338 |
| **Receivables** | | **1.958.205** | **447.588** |
| **Cash** | | **7.911** | **0** |
| **Current assets** | | **1.966.116** | **447.588** |
| **Assets** | | **81.033.434** | **63.757.958** |

# Parent balance sheet at 31.12.2016

| | Notes | 2016 DKK | 2015 DKK |
|---|---|---|---|
| Contributed capital | 5 | 1.000.000 | 1.000.000 |
| Retained earnings | | 73.804.570 | 57.308.406 |
| **Equity** | | **74.804.570** | **58.308.406** |
| Subordinate loan capital | 6 | 3.333.334 | 5.000.000 |
| **Non-current liabilities other than provisions** | | **3.333.334** | **5.000.000** |
| Current portion of long-term liabilities other than provisions | | 1.666.666 | 0 |
| Bank loans | | 0 | 141.886 |
| Income tax payable | | 0 | 208.000 |
| Joint taxation contribution payable | | 1.104.558 | 0 |
| Other payables | | 124.306 | 99.666 |
| **Current liabilities other than provisions** | | **2.895.530** | **449.552** |
| **Liabilities other than provisions** | | **6.228.864** | **5.449.552** |
| **Equity and liabilities** | | **81.033.434** | **63.757.958** |
| Mortgages and securities | 7 | | |
| Related parties with controlling interest | 8 | | |

# Parent statement of changes in equity for 2016

| | Contributed capital DKK | Retained earnings DKK | Total DKK |
|---|---|---|---|
| Equity beginning of year | 1.000.000 | 57.308.406 | 58.308.406 |
| Exchange rate adjustments | 0 | (5.405.846) | (5.405.846) |
| Profit/loss for the year | 0 | 21.902.010 | 21.902.010 |
| **Equity end of year** | **1.000.000** | **73.804.570** | **74.804.570** |

# Notes to parent financial statements

| | 2016 DKK | 2015 DKK |
|---|---|---|
| **1. Tax on profit/loss for the year** | | |
| Tax on current year taxable income | (3.000) | (131.000) |
| | **(3.000)** | **(131.000)** |

| | 2016 DKK | 2015 DKK |
|---|---|---|
| **2. Proposed distribution of profit/loss** | | |
| Retained earnings | 21.902.010 | 3.644.299 |
| | **21.902.010** | **3.644.299** |

| | Investments in group enterprises DKK |
|---|---|
| **3. Fixed asset investments** | |
| Cost beginning of year | 109.223.696 |
| **Cost end of year** | **109.223.696** |
| | |
| Impairment losses beginning of year | (45.913.326) |
| Exchange rate adjustments | (5.405.846) |
| Amortisation of goodwill | (1.407.842) |
| Share of profit/loss for the year | 23.320.636 |
| Dividend | (750.000) |
| **Impairment losses end of year** | **(30.156.378)** |
| | |
| **Carrying amount end of year** | **79.067.318** |

Goodwill of DKK 26,280k is included in the carrying amount.

**4. Prepayments**

Prepayments relate to expenses for the financial year 2017.

| | Number | Par value DKK | Nominal value DKK |
|---|---|---|---|
| **5. Contributed capital** | | | |
| Ordinary shares | 1.000.000 | 1 | 1.000.000 |
| | **1.000.000** | | **1.000.000** |

**6. Subordinate loan capital**

The subordinated loan is inferior to the bank debt present in the Group at any time, but ranks pari passu with the Group's other superior and unsecured creditors.

# Notes to parent financial statements

**7. Mortgages and securities**

Bank debt is secured by way of mortgaged shares in group enterprise.

The carrying amount of mortgaged shares amounts to DKK 79,067k.

The Company has guaranteed the bank debt of European Freeze Dry ApS.

Subsidiary’s bank debt amounts to DKK 20,361k.

**8. Related parties with controlling interest**

Erhvervsinvest III K/S wholly owns the shares in the Company and thereby exercise control.

# 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 (medium).

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

### Changes in accounting policies
In 2016, the Entity has presented its financial statements with an income statement classified by nature. The financial statements for 2015 were presented with an income statement classified by function. The change from an income statement classified by function to an income statement classified by nature ensures a presentation that is more consistent with the Group's other companies. This change has not caused any changes in comparative figures compared to 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.

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

# Accounting policies

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

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

**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. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements.

Goodwill is amortised straight-line over its estimates useful life which is fixed based on the experience gained by Management for each budiness area. The amortisation period is usually ten years, however, in certain cases it may be up to 20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile if the longer amortisation period is considered to give a better reflection of the benefit from the relevant resources.

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

**Income statement**
**Gross profit or loss**
Gross profit or loss comprises revenue, cost of sales and other 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 from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

**Cost of sales**
Cost of sales comprises expenses incurred to earn revenue for the financial year. Cost of sales comprses costs direct and indirect costs for raw materiale and consumables included in the production process.

# Accounting policies

**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**
Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing 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 interest income.

**Other financial expenses**
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital 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.

The Entity is jointly taxed eith the  parent. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

**Balance sheet**
**Goodwill**
Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If it is not possible to estimate the useful life reliably, it is set at 10 years. Useful lives are reassessed on an annual basis. The amortisation periods used are up to 20 years.

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

# Accounting policies

**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 | 10-33 years |
| Plant and machinery | 3-14 years |
| Other fixtures and fittings, tools and equipment | 3-10 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.

**Investments in group enterprises**

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straigth-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation periods used are up 20 years.

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 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. Financing costs are not included in cost.

# Accounting policies

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 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.

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

**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 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

**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 securities with an insignificant price risk less short-term bank loans.