
Agro korn A/S

Skjernvej 42, Tøstrup, DK-6920 Videbæk

Annual Report for 22 January - 31 August 2016

CVR No 37 40 42 41

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
18/1 2017

Jakob Østervang
Chairman

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Agro korn A/S for the financial year 22 January - 31 August 2016.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 August 2016 of the Company and of the results of the Company operations and cash flows for 2016.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Videbæk, 18 January 2017

Executive Board

Alan Murphy

Board of Directors

Richard Charles Cloke
Chairman

Alan Murphy

David Jonathan Douglas Yiend

Jakob Østervang

Independent Auditor's Report on the Financial Statements

To the Shareholder of Agro korn A/S

Report on the Financial Statements

We have audited the Financial Statements of Agro korn A/S for the financial year 22 January - 31 August 2016, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility 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.

Auditor's Responsibility

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

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 August 2016 and of the results of the Company operations and cash flows for the financial year 22 January - 31 August 2016 in accordance with the Danish Financial Statements Act.

Independent Auditor's Report on the Financial Statements

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements.

Herning, 18 January 2017

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR No 30 70 02 28

Karsten Mehlsen

State Authorised Public Accountant

Company Information

The Company

Agro korn A/S
Skjernvej 42
Tøstrup
DK-6920 Videbæk

Telephone: + 45 97 17 33 00

Website: www.agrokorn.dk

CVR No: 37 40 42 41

Financial period: 22 January - 31 August

Incorporated: 22 January 2016

Municipality of reg. office: Ringkøbing-Skjern

Board of Directors

Richard Charles Cloke, Chairman
Alan Murphy
David Jonathan Douglas Yiend
Jakob Østervang

Executive Board

Alan Murphy

Auditors

ERNST & YOUNG
Godkendt Revisionspartnerselskab
Industrivej Nord 9
P.O. Box 360
DK-7400 Herning

Financial Highlights

Seen over a one-year period, the development of the Company is described by the following financial highlights:

	<u>2016</u> TDKK
Key figures	
Profit/loss	
Operating profit/loss	1.270
Profit/loss before financial income and expenses	1.270
Net profit/loss for the year	987
Balance sheet	
Balance sheet total	76.415
Equity	56.487
Cash flows	
Cash flows from:	
- operating activities	-9.886
- investing activities	-40.757
including investment in property, plant and equipment	-10.391
- financing activities	4.660
Change in cash and cash equivalents for the year	-45.983
Number of employees	26
Ratios	
Return on assets	1,7%
Solvency ratio	73,9%
Return on equity	1,8%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Main activity

The company's business activities consist of production and sale of high-end quality feed products for young and sensitive animals.

Development in the year

The company is established 22. January 2016, and acquired activities and business from the previous owner the 1. February 2016. The financial year 2016 consists of 7 month activities.

The income statement of the company for 2016 shows a profit of DKK 986.823, and at 31 August 2016 the balance sheet of the company shows equity of DKK 56.486.823.

Management considers the company's performance in the financial year for satisfactory.

Special risks

The company has no special risks apart from normal business risk in feed industry. The company continuously works on elimination risks and heightened quality standards.

External environment

The company is has no special impact on external environment. The company is committed to work on optimizing and reducing impact on the external environment.

Outlook and expectations

For the coming financial year 2016/17 the company expects sales growth and improved earnings compared with financial year 2016.

Events after the balance sheet date

No events materially affecting the company's financial position have occurred subsequent to the financial year-end.

Income Statement 22 January - 31 August

	<u>Note</u>	<u>2016</u> DKK
Gross profit/loss		10.817.812
Staff expenses	1	-5.682.577
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	<u>-3.865.287</u>
Profit/loss before financial income and expenses		1.269.948
Financial income		<u>373</u>
Profit/loss before tax		1.270.321
Tax on profit/loss for the year	3	<u>-283.498</u>
Net profit/loss for the year		<u>986.823</u>

Distribution of profit

Proposed distribution of profit

Retained earnings		<u>986.823</u>
		<u>986.823</u>

Balance Sheet 31 August

Assets

	<u>Note</u>	<u>2016</u> DKK
Other intangible assets		12.954.167
Goodwill		14.940.119
Intangible assets	4	<u>27.894.286</u>
Land and buildings		4.068.635
Plant and machinery		4.413.959
Other fixtures and fittings, tools and equipment		514.603
Property, plant and equipment	5	<u>8.997.197</u>
Fixed assets		<u>36.891.483</u>
Inventories	6	<u>16.014.301</u>
Trade receivables		11.954.410
Other receivables		1.669.481
Prepayments	7	368.041
Receivables		<u>13.991.932</u>
Cash at bank and in hand		<u>9.516.919</u>
Currents assets		<u>39.523.152</u>
Assets		<u>76.414.635</u>

Balance Sheet 31 August

Liabilities and equity

	<u>Note</u>	<u>2016</u> DKK
Share capital		500.000
Retained earnings		<u>55.986.823</u>
Equity	8	<u>56.486.823</u>
Provision for deferred tax	9	<u>283.498</u>
Provisions		<u>283.498</u>
Trade payables		10.625.118
Payables to group enterprises		4.659.611
Other payables		<u>4.359.585</u>
Short-term debt		<u>19.644.314</u>
Debt		<u>19.644.314</u>
Liabilities and equity		<u>76.414.635</u>
Contingent assets, liabilities and other financial obligations	12	
Related parties and ownership	13	

Statement of Changes in Equity

	Share capital	Share premium	Retained	Total
	<u>DKK</u>	<u>account</u>	<u>earnings</u>	<u>DKK</u>
	DKK	DKK	DKK	DKK
Equity at 22 January	500.000	55.000.000	0	55.500.000
Net profit/loss for the year	0	0	986.823	986.823
Transfer from share premium account	0	-55.000.000	55.000.000	0
Equity at 31 August	<u>500.000</u>	<u>0</u>	<u>55.986.823</u>	<u>56.486.823</u>

Cash Flow Statement 22 January - 31 August

	<u>Note</u>	<u>2016</u> DKK
Net profit/loss for the year		986.823
Adjustments	10	4.148.412
Change in working capital	11	<u>-15.021.527</u>
Cash flows from operating activities before financial income and expenses		-9.886.292
Financial income		373
Financial expenses		<u>-3</u>
Cash flows from operating activities		-9.885.922
Purchase of intangible assets		-30.365.613
Purchase of property, plant and equipment		<u>-10.391.157</u>
Cash flows from investing activities		-40.756.770
Repayment of payables to group enterprises		<u>4.659.611</u>
Cash flows from financing activities		4.659.611
Change in cash and cash equivalents		-45.983.081
Cash and cash equivalents at 22 January		<u>55.500.000</u>
Cash and cash equivalents at 31 August		9.516.919
Cash and cash equivalents are specified as follows:		
Cash at bank and in hand		<u>9.516.919</u>
Cash and cash equivalents at 31 August		9.516.919

Notes to the Financial Statements

	2016
	DKK
1 Staff expenses	
Wages and salaries	5.343.061
Pensions	272.647
Other social security expenses	66.869
	<u>5.682.577</u>
Average number of employees	<u>26</u>
The company has no financial remuneration paid to management	
2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	
Amortisation of intangible assets	2.471.327
Depreciation of property, plant and equipment	1.393.960
	<u>3.865.287</u>
3 Tax on profit/loss for the year	
Current tax for the year	0
Deferred tax for the year	283.498
	<u>283.498</u>

Notes to the Financial Statements

4 Intangible assets

	Other intangible assets DKK	Goodwill DKK	Total DKK
Cost at 22 January	0	0	0
Additions for the year	14.500.000	15.865.613	30.365.613
Cost at 31 August	<u>14.500.000</u>	<u>15.865.613</u>	<u>30.365.613</u>
Impairment losses and amortisation at 22 January	0	0	0
Amortisation for the year	1.545.833	925.494	2.471.327
Impairment losses and amortisation at 31 August	<u>1.545.833</u>	<u>925.494</u>	<u>2.471.327</u>
Carrying amount at 31 August	<u>12.954.167</u>	<u>14.940.119</u>	<u>27.894.286</u>
Amortised over	<u>2-10 years</u>	<u>10 years</u>	

5 Property, plant and equipment

	Land and buildings DKK	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Total DKK
Cost at 22 January	0	0	0	0
Additions for the year	4.180.759	5.288.910	921.488	10.391.157
Cost at 31 August	<u>4.180.759</u>	<u>5.288.910</u>	<u>921.488</u>	<u>10.391.157</u>
Impairment losses and depreciation at 22 January	0	0	0	0
Depreciation for the year	112.124	874.951	406.885	1.393.960
Impairment losses and depreciation at 31 August	<u>112.124</u>	<u>874.951</u>	<u>406.885</u>	<u>1.393.960</u>
Carrying amount at 31 August	<u>4.068.635</u>	<u>4.413.959</u>	<u>514.603</u>	<u>8.997.197</u>
Depreciated over	<u>30 years</u>	<u>3-5 years</u>	<u>3-5 years</u>	

Notes to the Financial Statements

	2016
	DKK
6 Inventories	
Raw materials and consumables	9.043.561
Finished goods and goods for resale	6.970.740
	<u>16.014.301</u>

7 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

8 Equity

The share capital consists of 500 shares of a nominal value of DKK 1,000. No shares carry any special rights.

9 Provision for deferred tax

Intangible assets	976.369
Property, plant and equipment	67.747
Receivables	80.969
Tax loss carry-forward	-841.587
	<u>283.498</u>

Deferred tax has been provided at 22% corresponding to the current tax rate.

10 Cash flow statement - adjustments

Financial income	-373
Depreciation, amortisation and impairment losses, including losses and gains on sales	3.865.287
Tax on profit/loss for the year	283.498
	<u>4.148.412</u>

Notes to the Financial Statements

	2016
	DKK
11 Cash flow statement - change in working capital	
Change in inventories	-16.014.300
Change in receivables	-13.991.932
Change in trade payables, etc	14.984.705
	<u>-15.021.527</u>

12 Contingent assets, liabilities and other financial obligations

Contingent liabilities

Incoming salescontracts have a value of DKK 62,090,727 at August 31, 2016, while signed purchasecontracts with obligation to purchase is DKK 36,682,857.

Other rent and lease liabilities have a value of DKK 2,510,200 at August 31, 2016.

Notes to the Financial Statements

13 Related parties and ownership

Basis

Controlling interest

Associated British Foods Plc, London.

Participating interest

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

ABF Overseas Limited, London.

Consolidated Financial Statements

The company is included in the group annual report of the parent company.

Name

Place of registered office

Associated British Foods Plc, London.

No. 293262 at Weston Centre, 10 Grosvenor Street,
London W1K 4QY

Accounting Policies

Basis of Preparation

The Annual Report of Agro korn A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies used in preparation of the financial statements are as following.

Financial Statements for 2016 are presented in DKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Accounting Policies

Income Statement

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Staff expenses

Staff expenses comprise wages and salaries.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Accounting Policies

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 10 years.

Other intangible assets acquired is measured at cost less accumulated amortisation. Know-how and brand is amortised on a straight-line basis over its useful life, which is assessed at 2-10 years.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

Useful life of intangible assets are based on history and strategic expectations for the future.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Buildings	30 years
Plant and machinery	3-5 years
Other fixtures and fittings, tools and equipment	3-5 years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 12,900 are expensed in the year of acquisition.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Accounting Policies

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning insurance premiums, subscriptions etc.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Accounting Policies

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Cash Flow Statement

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$