

# Scanflavour A/S

Erhvervsvej 12, 9632 Møldrup

CVR no. 65 40 46 13

## Annual report 2019

Approved at the Company's annual general meeting on 20 August 2020

Chairman:

.....  
Claus Winther

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## Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Scanflavour A/S for the financial year 1 January - 31 December 2019.

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 of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Møldrup, 20 August 2020  
Executive Board:

.....  
Asger Staugård Jacobsen

Board of Directors:

.....  
Claus Winther  
Chairman

.....  
Morten Tofte Liisborg

.....  
Asger Staugård Jacobsen

## Independent auditor's report

To the shareholder of Scanflavour A/S

### Opinion

We have audited the financial statements of Scanflavour A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including 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 financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 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 financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Company in accordance with the International Ethics Standards Board for 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 rules and requirements.

### 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company 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 as to 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 the 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 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 Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

## Independent auditor's report

- ▶ 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 Company'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 Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, 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's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, 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's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

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

Sønderborg, 20 August 2020  
EY Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

Christian S. Christiansen  
State Authorised Public Accountant  
mne32171

Christian Jøker  
State Authorised Public Accountant  
mne31471

## Management's review

### Company details

Name	Scanflavour A/S
Address, Postal code, City	Erhvervsvej 12, 9632 Møldrup
CVR no.	65 40 46 13
Established	5 May 1981
Registered office	Viborg
Financial year	1 January - 31 December
Website	<a href="http://www.scanflavour.dk">www.scanflavour.dk</a>
E-mail	<a href="mailto:scanflavour@scanflavour.dk">scanflavour@scanflavour.dk</a>
Telephone	+45 86 69 20 33
Board of Directors	Claus Winther, Chairman Morten Tofte Liisborg Asger Staugård Jacobsen
Executive Board	Asger Staugård Jacobsen
Auditors	EY Godkendt Revisionspartnerselskab Nørre Havnegade 43, 6400 Sønderborg, Denmark

## Management's review

### Financial highlights

DKK'000	2019	2018	2017	2016	2015
<b>Key figures</b>					
Gross margin	-56,555	-321,816	-26,935	19,336	89,543
Operating profit/loss	-84,039	-372,793	-63,011	-7,739	33,995
Net financials	-11,611	168,161	-15,129	-4,213	-2,287
<b>Profit/loss for the year</b>	<b>-70,157</b>	<b>-121,388</b>	<b>-61,433</b>	<b>-9,487</b>	<b>31,708</b>
<b>Assets</b>					
Fixed assets	49,700	133,332	424,193	362,008	233,593
Non-fixed assets	124,852	141,785	106,793	87,253	96,437
<b>Total assets</b>	<b>174,552</b>	<b>275,117</b>	<b>530,986</b>	<b>449,261</b>	<b>330,030</b>
Investment in property, plant and equipment	0	6,289	91,555	145,148	123,616
<b>Equity</b>	<b>-57,614</b>	<b>12,543</b>	<b>58,931</b>	<b>77,329</b>	<b>87,373</b>
Non-current liabilities other than provisions	46,614	162,732	239,804	204,681	124,353
Current liabilities other than provisions	185,552	99,842	220,781	161,487	109,713
<b>Financial ratios</b>					
Equity ratio	-33.0%	4.6%	11.1%	17.2%	26.5%
Return on equity	311.3%	-339.7%	-90.2%	-11.5%	39.2%
<b>Average number of employees</b>					
	<b>62</b>	<b>129</b>	<b>137</b>	<b>96</b>	<b>83</b>

In the 2017 financial year, the Company changed its presentation format for the income statement classified by nature to an income statement classified by function. The above-mentioned key figures for 2016 have been restated accordingly. However, the key figures for 2015 have not been restated.

## Management's review

### Business review

Scanflavour A/S' main activities are development, production and sale of functional protein ingredients for the food industry.

### Financial review

During the year, Management announced that Scanflavour A/S will close down the production and transfer the entire production of functional proteins to the sister company, Essentia A/S, during 2020. The main reason for the close-down is the fact that it has not been possible to create a profitable business due to a decreased sales volume and unfavourable market conditions. Furthermore, significant cost savings will be utilized by consolidating the production at one production site.

Consequently, various write-downs on intangible assets and property, plant and equipment, inventories, financial debt and accrual for severance pay to employees have been made in the financial statements for 2019, totalling DKK 83 million.

The loss for the year therefore amounts to a loss before tax of DKK 90 million.

The Company's results and cash flow are significantly below the forecast in the most recent statutory annual report and relate to the above mentioned write-downs and accruals.

Due to the loss for the year, the Company has lost its share capital. The Parent Company is liable for the Company's bank debt, mortgage debt and lease liabilities in respect of the Company's continued operations until it has been decided whether the Company should enter into solvent liquidation.

### Significant accounting estimates

Significant accounting estimates have been made in connection with the write-down of property, plant and equipment, which have been valued at net realisable value. Based on knowledge and experience by selling similar non-current assets, Management has with input from external party's valuations, estimated the sales values of non-current assets.

### Knowledge resources

The Company's key knowledge resources consist primarily of key employees' insights on how functional proteins can be designed, developed and put into play as ingredients in the food industry, and the production technology required to produce such ingredients.

### Special risks

The Company is not exposed to any special risks except for what is usual within this industry.

### Impact on the external environment

The Company wants to be an environmentally responsible company. The Company has built an environmental management system based on the Company's environmental policy and ongoing registration and assessment of the factory's most important environmental impact.

### Outlook

The Company's activities will decrease significantly in 2020 due to the restructuring made in 2019.

A minor positive result is expected in 2020.

## Financial statements 1 January - 31 December

### Income statement

Note	DKK'000	2019	2018
	<b>Gross loss</b>	-56,555	-321,816
4	Distribution costs	-9,562	-16,744
4	Administrative expenses	-12,216	-21,195
	<b>Operating profit/loss</b>	-78,333	-359,755
	Other operating expenses	0	-34
	<b>Profit/loss before net financials</b>	-78,333	-359,789
5	Financial income	51	179,219
6	Financial expenses	-11,662	-11,058
	<b>Profit/loss before tax</b>	-89,944	-191,628
7	Tax for the year	19,787	70,240
	<b>Profit/loss for the year</b>	-70,157	-121,388

## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK'000	<u>2019</u>	<u>2018</u>
	<b>ASSETS</b>		
	<b>Fixed assets</b>		
8	<b>Intangible assets</b>		
	Acquired intangible assets	0	1,171
		<u>0</u>	<u>1,171</u>
9	<b>Property, plant and equipment</b>		
	Land and buildings	18,000	47,707
	Plant and machinery	31,097	81,863
	Fixtures and fittings, other plant and equipment	603	2,591
		<u>49,700</u>	<u>132,161</u>
	<b>Total fixed assets</b>	<u>49,700</u>	<u>133,332</u>
	<b>Non-fixed assets</b>		
	<b>Inventories</b>		
	Raw materials and consumables	1,623	1,380
	Work in progress	27,385	49,184
	Finished goods and goods for resale	14,318	4,727
		<u>43,326</u>	<u>55,291</u>
	<b>Receivables</b>		
	Trade receivables	10,889	19,699
	Receivables from group enterprises	7,753	2,169
10	Deferred tax assets	48,303	40,080
	Joint taxation contribution receivable	11,564	18,570
	Other receivables	1,763	4,878
	Prepayments	679	1,005
		<u>80,951</u>	<u>86,401</u>
	<b>Cash</b>	<u>575</u>	<u>93</u>
	<b>Total non-fixed assets</b>	<u>124,852</u>	<u>141,785</u>
	<b>TOTAL ASSETS</b>	<u><u>174,552</u></u>	<u><u>275,117</u></u>

## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK'000	2019	2018
	<b>EQUITY AND LIABILITIES</b>		
	<b>Equity</b>		
11	Share capital	600	600
	Retained earnings	-58,214	11,943
	<b>Total equity</b>	<b>-57,614</b>	<b>12,543</b>
	<b>Liabilities other than provisions</b>		
12	<b>Non-current liabilities other than provisions</b>		
	Mortgage debt	46,614	55,080
	Lease liabilities	0	107,652
		<b>46,614</b>	<b>162,732</b>
	<b>Current liabilities other than provisions</b>		
12	Short-term part of long-term liabilities other than provisions	112,449	25,732
	Bank debt	51,007	40,205
	Trade payables	5,656	17,004
	Payables to group enterprises	3,312	283
	Other payables	13,128	16,618
		<b>185,552</b>	<b>99,842</b>
	<b>Total liabilities other than provisions</b>	<b>232,166</b>	<b>262,574</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>174,552</b>	<b>275,117</b>

- 1 Accounting policies
- 2 Unusual circumstances
- 3 Special items
- 13 Contractual obligations and contingencies, etc.
- 14 Collateral
- 15 Related parties

## Financial statements 1 January - 31 December

### Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Total
	Equity at 1 January 2018	600	58,331	58,931
16	Transfer, see "Appropriation of profit/loss"	0	-121,388	-121,388
	Contribution from parent company	0	75,000	75,000
	<b>Equity at 1 January 2019</b>	<b>600</b>	<b>11,943</b>	<b>12,543</b>
16	Transfer, see "Appropriation of profit/loss"	0	-70,157	-70,157
	<b>Equity at 31 December 2019</b>	<b>600</b>	<b>-58,214</b>	<b>-57,614</b>

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Scanflavour A/S for 2019 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

As stated in note 2, the Company's Management has decided to close down the activities of the Company, and consequently, the annual report has not been presented on a going concern basis, but according to the realisation principle. The accounting policies used in the preparation of the financial statements are consistent with those of last year.

#### Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are reflected in the consolidated cash flow statement for the higher-ranking parent company LGI International Holding S.á.r.l.

#### Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

#### Leases

On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to the ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the present value of the future lease payments. In calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently accounted for in the same way as the Company's other assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

#### Income statement

##### Revenue

Income from the sale of goods for resale and finished goods, including proteins, is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

##### Gross loss

The items revenue, production costs and other operating income have been aggregated into one item in the income statement called gross loss in accordance with section 32 of the Danish Financial Statements Act.

##### Production costs

Production costs comprise costs incurred in generating the revenue for the year. Such costs include direct and indirect costs of raw materials, consumables and production staff, rent and leases, as well as depreciation on production plant.

Production costs also comprise research and development costs that do not qualify for capitalisation and amortisation of capitalised development costs.

Also, provision for losses on construction contracts is recognised.

##### Distribution costs

Distribution costs comprise costs related to the distribution of goods sold in the year and to sales campaigns, etc. carried out in the year, including costs related to sales staff, advertising, exhibitions and amortisation/depreciation.

##### Administrative expenses

Administrative expenses include expenses incurred in the year for company management and administration, including expenses relating to administrative staff, Management, office premises and expenses as well as amortisation/depreciation of assets used for administrative purposes.

##### Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of fixed assets.

##### Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

##### Amortisation/depreciation and impairment

The item comprises amortisation/depreciation and impairment of intangible assets and property, plant and equipment.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Acquired intangible assets	5 years
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The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further amortisation charges are recognised. In case of changes in the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Buildings	25 years
Plant and machinery	7-10 years
Fixtures and fittings, other plant and equipment	3-7 years

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Land is not depreciated.

#### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities and associates, declared dividends from other securities and investments, financial expenses relating to finance leases, realised and unrealised capital gains and losses relating to other securities and investments, exchange gains and losses and amortisation of financial assets and liabilities.

#### Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity is jointly taxed with other group entities. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

#### Balance sheet

##### Intangible assets

Other intangible assets include development projects and other acquired intangible rights, including software licences, distribution rights and development projects.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Gains and losses on the sale of intangible assets are recognised in the income statement under "Other operating income" or "Other operating expenses", respectively. Gains and losses are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

##### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

The cost of self constructed assets includes the cost of direct materials and labour, etc. directly used in the production process and a portion of the relating production overheads.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

Also, the cost of self-produced assets includes interest expenses in the production period regarding loans to finance the production.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

#### Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

#### Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and indirect production overheads.

Indirect production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the sales price.

#### Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

##### Equity

###### *Proposed dividends*

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

##### Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

##### Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating profit/loss	Profit/loss before financial items adjusted for other operating income and other operating expenses
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

#### 2 Unusual circumstances

During the year, Management announced that Scanflavour A/S will close down the production and transfer the entire production of functional proteins to the sister company, Essentia A/S, during 2020. Consequently, various write-downs on intangible assets and property, plant and equipment, inventories, financial debt and accrual for severance pay to employees have been made in the financial statements of 2019.

As stated in note 2, the Company's Management has decided to close down the activities of the Company, and consequently, the annual report has not been presented on a going concern basis, but according to the realisation principle.

Due to the loss for the year, the Company has lost its share capital. The Parent Company is liable for the Company's bank debt, mortgage debt and lease liabilities in respect of the Company's continued operations until it has been decided whether the Company should enter into solvent liquidation.

#### 3 Special items

Special items for the year are specified below just as are the items under which they are recognised in the income statement.

DKK'000	2019	2018
<b>Income</b>		
Remissions of debt	0	178,615
Sale of intellectual property rights	5,706	12,000
Adjustment of deferred tax	17,077	48,886
	<u>22,783</u>	<u>239,501</u>
<b>Expenses</b>		
Impairment loss on non-current assets	-67,502	-271,667
Costs of resignations	-6,780	-13,924
Value adjustment of lease liabilities	-6,100	0
Other costs related to close-down of production	-2,945	0
	<u>-83,327</u>	<u>-285,591</u>
<b>Special items are recognised in the below items of the financial statements</b>		
Gross margin	-70,642	-273,591
Distribution costs	-165	0
Administrative expenses	-714	0
Financial income	0	178,615
Financial expenses	-6,100	0
Tax for the year	17,077	48,886
<b>Net loss on special items</b>	<u>-60,544</u>	<u>-46,090</u>

## Financial statements 1 January - 31 December

### Notes to the financial statements

DKK'000	<u>2019</u>	<u>2018</u>
<b>4 Staff costs</b>		
Wages/salaries	32,566	67,303
Pensions	2,394	4,840
Other staff costs	1,736	2,571
	<u>36,696</u>	<u>74,714</u>

Staff costs are recognised as follows in the financial statements:

Production	26,549	51,107
Distribution	3,122	11,529
Administration	7,025	12,078
	<u>36,696</u>	<u>74,714</u>

Average number of full-time employees	<u>62</u>	<u>129</u>
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Total remuneration to Management:

In 2019, the Company paid no remuneration of the Executive Board and fee to the Board of Directors since the Company's Management is remunerated by the Parent Company. The Company paid fees for administration totalling DKK 270 thousand in 2019 to the related party BJJ A/S (2018: DKK 1,520 thousand).

DKK'000	<u>2019</u>	<u>2018</u>
<b>5 Financial income</b>		
Remissions of debt	0	178,550
Other financial income	51	669
	<u>51</u>	<u>179,219</u>
<b>6 Financial expenses</b>		
Interest expenses, group entities	32	1,519
Other financial expenses	11,630	9,539
	<u>11,662</u>	<u>11,058</u>
<b>7 Tax for the year</b>		
Estimated tax charge for the year	-11,593	-18,570
Deferred tax adjustments in the year	-8,194	-51,550
Tax adjustments, prior years	0	-120
	<u>-19,787</u>	<u>-70,240</u>

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 8 Intangible assets

DKK'000	<u>Acquired intangible assets</u>
Cost at 1 January 2019	6,571
Cost at 31 December 2019	6,571
Impairment losses and amortisation at 1 January 2019	5,400
Impairment losses for the year	756
Amortisation for the year	415
Impairment losses and amortisation at 31 December 2019	6,571
<b>Carrying amount at 31 December 2019</b>	<b>0</b>

#### 9 Property, plant and equipment

DKK'000	<u>Land and buildings</u>	<u>Plant and machinery</u>	<u>Fixtures and fittings, other plant and equipment</u>	<u>Total</u>
Cost at 1 January 2019	184,775	433,722	16,289	634,786
Additions	0	1,109	0	1,109
Disposals	0	-20,037	0	-20,037
Cost at 31 December 2019	184,775	414,794	16,289	615,858
Impairment losses and depreciation at 1 January 2019	137,068	351,859	13,698	502,625
Impairment losses	28,884	36,512	1,350	66,746
Depreciation	823	2,533	638	3,994
Reversal of accumulated depreciation and impairment of assets disposed	0	-7,207	0	-7,207
Impairment losses and depreciation at 31 December 2019	166,775	383,697	15,686	566,158
<b>Carrying amount at 31 December 2019</b>	<b>18,000</b>	<b>31,097</b>	<b>603</b>	<b>49,700</b>
Property, plant and equipment include finance leases with a carrying amount totalling	0	17,000	0	17,000

DKK'000	<u>2019</u>	<u>2018</u>
<b>10 Deferred tax</b>		
Deferred tax at 1 January	-40,080	11,470
Adjustments for the year	-12,088	-51,550
Other deferred tax	3,865	0
<b>Deferred tax at 31 December</b>	<b>-48,303</b>	<b>-40,080</b>

Deferred tax primarily relates to intangible assets, property, plant and equipment, inventories and lease liabilities.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 11 Share capital

The share capital comprises 600,000 shares of a nominal value of DKK 1. None of the shares carry special rights.

The Company's share capital has remained DKK 600 thousand in the past year.

#### 12 Non-current liabilities other than provisions

DKK'000	Total debt at 31/12 2019	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Mortgage debt	53,034	6,420	46,614	21,913
Lease liabilities	106,029	106,029	0	0
	<u>159,063</u>	<u>112,449</u>	<u>46,614</u>	<u>21,913</u>

#### 13 Contingent liabilities, etc.

##### Contingent liabilities

The term of lease liability regarding operating leases is up to 5 months and the liability totalled DKK 140 thousand at 31 December 2019 against DKK 610 thousand at 31 December 2018.

The entity is jointly taxed with the Parent Company, LGI Denmark ApS, as the administration company and other jointly taxed entities. The Company has limited and secondary liability for corporation taxes and withholding taxes on interest, royalties and dividends, etc.

#### 14 Collateral

The Company's land and buildings have been provided as collateral for mortgage debt totalling DKK 53,033 thousand. The carrying amount of the assets that have been provided as collateral totals DKK 18,000 thousand.

A company charge of DKK 75,000 thousand secured upon receivables from customers, inventories and operating equipment, etc. with a carrying amount of DKK 63,642 thousand has been provided as collateral for debt to credit institutions.

Moreover, mortgage deeds registered to the owner totalling DKK 3,900 thousand secured upon land and buildings with a carrying amount of DKK 18,000 thousand have been provided as collateral for debt to credit institution.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 15 Related parties

##### Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
LGI International Holding S.á.r.l.	Luxembourg	The consolidated financial statements are obtainable from the Danish Business Authority via the parent company LGI Denmark ApS.

##### Related party transactions

The Company solely discloses related party transactions that have not been carried out on an arm's length basis, cf. section 98c(7) of the Danish Financial Statements Act.

All transactions have been carried out on an arm's length basis.

DKK'000	2019	2018
<b>16 Appropriation of profit/loss</b>		
Recommended appropriation of profit/loss	-70,157	-121,388
Retained earnings/accumulated loss	-70,157	-121,388
	-70,157	-121,388

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## Christian Svane Christiansen

### Statsautoriseret revisor

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