

C&D Foods (Denmark)

A/S

Øresundsvej 2
DK-6715 Esbjerg N

CVR no. 78 80 49 12

Annual report 2016/17

The annual report was presented and adopted at the
Company's annual general meeting

on 14. June 20 17

Flemming Mathiasen
chairman

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of C&D Foods (Denmark) A/S for the financial year 1 April 2016 – 31 March 2017.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 March 2017 and of the results of the Company's operations and cash flows for the financial year 1 April – 31 March 2017.

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

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

Esbjerg, 14 June 2017
Executive Board:

John Gerard Noone

Board of Directors:

Mogens Jensen
Chairman

Robert John Reynolds

John Gerard Noone

Jan Broe Hansen

Flemming Hansen



Independent auditor's report

To the shareholders of C&D Foods (Denmark) A/S

Opinion

We have audited the financial statements of C&D Foods (Denmark) A/S for the financial year 1 April 2016 – 31 March 2017 comprising income statement, balance sheet, statement of changes in equity, cash flow statement 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 Company's assets, liabilities and financial position at 31 March 2017 and of the results of the Company's operations and cash flows for the financial year 1 April 2016 – 31 March 2017 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 that 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.



Independent auditor's report

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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made on the basis of these financial statements.

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

- identify and assess the risks of material misstatement of the company 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.
- 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 disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.



Independent auditor's report

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.

Aarhus, 14 June 2017

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Nikolaj Møller Hansen
State Authorised
Public Accountant

Elife Savas
State Authorised
Public Accountant

C&D Foods (Denmark) A/S
Annual report 2016/17
CVR no. 78 80 49 12

Management's review

Company details

C&D Foods (Denmark) A/S
Øresundsvej 2
DK-6715 Esbjerg N

Telephone: +45 76 14 83 00
Website: www.cdfoods.com
E-mail: info.denmark@cdfoods.com

CVR no.: 78 80 49 12
Established: 21 June 1985
Registered office: Esbjerg
Financial year: 1 April – 31 March

Board of Directors

Mogens Jensen
Robert John Reynolds
John Gerard Noone
Jan Broe Hansen
Flemming Hansen

Executive Board

John Gerard Noone

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Bredskifte Allé 13
DK-8210 Aarhus V

Annual general meeting

The annual general meeting will be held on 14 June 2017.

Management's review

Financial highlights

EURm	2016/17	2015/16	2014/15	2014 (3 mos)	2013
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Key figures

Revenue	90	88	84	19	94
Ordinary operating profit/loss	-1	1	1	-1	-11
Profit/loss from financial income and expenses	0	-1	1	0	11
Profit/loss for the year	-1	2	2	-1	0

Fixed assets	29	28	51	57	57
Current assets	24	29	23	21	24
Total assets	53	58	74	78	81
Share capital	14	14	14	14	14
Equity	37	38	36	34	35
Non-current liabilities	0	2	22	30	31
Current liabilities	16	18	16	14	16

Operating margin	-0.9%	1.4%	0.9%	-5.0%	-12.0%
Equity ratio	69.5%	65.2%	48.4%	43.5%	42.8%

Average number of full-time employees	368	377	325	284	342
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Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.

Management's review

Operating review

Principal activities

The Company has the highest BRC and IFS degrees and supplies wet petfood to the European retail trade as a "private label" manufacturer of petfood. Furthermore, C&D Foods (Denmark) A/S is a sub-supplier of wet petfood for other manufacturers/distributors of "branded products".

Development in activities and financial position

Synergies gained from the C&D Foods group after the takeover in 2012 (optimisation of production, sales, purchase, distribution and administration across entities in the combined Group) contributed positively to corporate performance.

The Company's revenue came in at EUR 90 million, which was less than expected but up on last year.

Results were negatively affected by the closing of pouch and can paté production and represented a negative DKK 0.5 million, which was below last year.

Investments in fixed assets amounted to EUR 4,012 thousand in 2016/17 (2015/16: EUR 1,432 thousand).

Uncertainty regarding recognition and measurement

The Company's deferred tax at 31 March 2017 makes up a significant amount available for indefinite carryforward. The use thereof depends on the development in future earnings, which is uncertain. Due to uncertainty in estimating future earnings, Management chose only to capitalise a deferred tax asset amounting to budgeted profits for the coming three years.

The tax asset is disclosed in note 12.

Outlook

EBITDA for the coming year is expected to increase from the level in 2016/17.

Management's review

Operating review

Particular risks

The Company's major risks relate to its ability to operate within a competitive private-labelled petfood market in Europe and to successfully gain from the synergies emerging from joining the C&D Foods Group in October 2012.

Financial risk

The Company is financed by group loans, which means that the Company is exposed to limited financial risks.

Foreign currency risk

The Company's foreign currency risks are limited, as the primarily operates in the euro zone. However, GBP, USD, and PLN are subject to certain exposure.

Interest risk

The Company's interest risks are considered low since the Group provides the vast part of financing.

Customer credit risk

The Company's customer credit risk primarily relates to its customers' ability to pay. The risk is considered low, since the customer portfolio is primarily made up by large national and/or multinational operating retailers, and since debtor insurance is in place.

Corporate social responsibility

With regard to section 99a of the Danish Financial Statements Act on Corporate Social Responsibility including human rights and climate impact, it should be noted that C&D Foods does not have any written policies in place. Accordingly, no reporting has been prepared in this respect.

Management's review

Operating review

Gender diversity

C&D Foods (Denmark) A/S believes that diversity among Management and employees including equal distribution of gender is an important condition for the Company to expand at optimum level and deliver the best results in accordance with the Company's values and culture.

The Executive Board of C&D Foods (Denmark) A/S wants to give both sexes equal access to leadership positions and believes that board members should be chosen based on their overall competencies. The male-female balance on the Company's Executive Board is at present 100%/0%. The aim is to increase the share of women on the Executive Board to 1/3 by 2021. This accounts for 1 female member out of the 3 elected by the annual general meeting. Two members of the board are appointed by the employees. The measures initiated did not pay off in 2016/17.

C&D Foods (Denmark) A/S' goal to have at least two female managers has been met, and initiatives will be taken to attract more qualified female candidates when changes are to be made to the present management team. When the Company has a vacant position on management level, both genders are encouraged to apply and receive relevant training. Female representation is currently 1/6.

Environment

The Company is devoted to environmental aspects and constantly strives at reducing the environmental impact from its operations. The Company has no outstanding issues with the environmental authorities in terms of environmental permits and compliance with environmental regulations.

Also in 2016/17, C&D Foods (Denmark) A/S focused on reducing its environmental impact and carried out a number of projects in order to improve the environment.

In 2017/18, energy savings projects will further reduce energy used in production.

Research and development activities

Development of new products in cooperation with our customers is one of our focus areas.

Intellectual capital

C&D Foods (Denmark) A/S remained focused on its main business areas to attract intellectual capital for various functions and thereby to strengthen its competitiveness and future performance.

Management's review

Operating review

Events after the balance sheet date

No events have occurred after the balance sheet date to this date that would influence the assessment and evaluation of this annual report in any substantial way.

Financial statements 1 April – 31 March

Income statement

EUR'000	Note	2016/17	2015/16
Revenue	2	90,129	88,243
Changes in inventories of finished goods and work in progress		-1,240	-602
Raw materials and packing materials		-50,627	-48,720
Other external costs		-15,617	-14,473
Gross profit		22,645	24,448
Staff costs	3	-21,206	-20,484
Depreciation, amortisation and impairment losses		-2,158	-2,699
Other operating costs		-87	-17
Ordinary operating profit/loss		-806	1,248
Financial income	5	416	1,075
Financial expenses	6	-143	-1,598
Profit/loss before tax		-533	725
Tax on profit/loss for the year	7	0	1,063
Profit/loss for the year	8	-533	1,788

Financial statements 1 April – 31 March

Balance sheet

EUR'000	Note	2016/17	2015/16
ASSETS			
Fixed assets			
Property, plant and equipment	9		
Land and buildings		5,938	6,612
Plant and machinery		4,340	5,805
Fixtures and fittings, tools and equipment		58	96
Property, plant and equipment under construction		5,200	1,745
		<u>15,536</u>	<u>14,258</u>
Investments			
Loans to group entities		13,836	14,151
Deposits		32	32
		<u>13,868</u>	<u>14,183</u>
Total fixed assets		<u>29,404</u>	<u>28,441</u>
Current assets			
Inventories			
Raw materials and consumables		3,988	4,464
Work in progress		1,220	1,240
Finished goods and goods for resale		4,647	3,831
		<u>9,855</u>	<u>9,535</u>
Receivables			
Trade receivables		1,496	2,162
Receivables from group entities		10,813	15,214
Other receivables		88	244
Prepayments	10	480	321
Deferred tax assets	11	1,062	1,060
		<u>13,939</u>	<u>19,001</u>
Cash at bank and in hand		<u>164</u>	<u>560</u>
Total current assets		<u>23,958</u>	<u>29,096</u>
TOTAL ASSETS		<u>53,362</u>	<u>57,537</u>

Financial statements 1 April – 31 March

Balance sheet

EUR'000	Note	2016/17	2015/16
EQUITY AND LIABILITIES			
Equity			
Share capital	12	13,714	13,682
Retained earnings		23,370	23,840
Total equity		37,084	37,522
Liabilities			
Non-current liabilities	13		
Payables to group entities		0	1,857
Other payables		30	53
		30	1,910
Current liabilities			
Current portion of long-term liabilities		20	20
Trade payables		10,911	10,629
Payables to group entities		310	1,292
Other payables		5,007	6,164
		16,248	18,105
Total liabilities		16,278	20,015
TOTAL EQUITY AND LIABILITIES		53,362	57,537
Contractual obligations, contingencies, etc.	16		
Related party disclosures	17		

Financial statements 1 April – 31 March

Statement of changes in equity

EUR'000	Share capital	Retained earnings	Proposed dividends	Total
Equity at 1 April 2016	13,682	23,840	0	37,522
Transferred over the profit appropriation/distribution of loss	0	-533	0	-533
Exchange rate adjustment, foreign subsidiary	32	63	0	95
Equity at 31 March 2017	<u>13,714</u>	<u>23,370</u>	<u>0</u>	<u>37,084</u>

Financial statements 1 April – 31 March

Cash flow statement

EUR'000	Note	2016/17	2015/16
Profit/loss for the year		-533	1,788
Depreciation, amortisation and impairment losses		2,817	2,853
Other adjustments of non-cash operating items	14	-175	1,638
Cash generated from operations before changes in working capital		2,109	6,279
Changes in working capital	15	1,320	-3,905
Cash generated from operations		3,429	2,374
Interest income		416	1,075
Interest expense		-146	-1,598
Corporation tax paid		0	-1,063
Cash flows from operating activities		3,699	788
Acquisition of property, plant and equipment		-4,800	-579
Disposal of property, plant and equipment		705	16
Cash flows from investing activities		-4,095	-563
Cash flows for the year		-396	225
Cash and cash equivalents at the beginning of the year		560	335
Cash and cash equivalents at year end		164	560

Financial statements 1 April – 31 March

Notes

1 Accounting policies

The annual report of C&D Foods (Denmark) A/S for 2016/17 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

All amounts are stated in EUR thousand (EUR'000).

As from 1 January 2016, the Company has implemented Act no. 738 of 1 June 2015. This has entailed the following changes to recognition and measurement:

- Going forward, the residual value of property, plant and equipment must be reassessed on an ongoing basis. Pursuant to the transition provisions of the Act, any adjustments to residual values must be made prospectively as an accounting estimate without restatement of comparative figures and without effect on equity.

The changes have no monetary effect on the income statement or the balance sheet for 2016/17 or on the comparative figures.

Foreign currency translation

Transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement.

Receivables and payables and other monetary items denominated in foreign currencies which were not settled at the balance sheet date are translated at the exchange rates at the balance sheet date.

The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose is recognised in the income statement as financial income or financial expenses.

Fixed assets acquired in foreign currencies are translated at the exchange rate at the transaction date.

Financial statements 1 April – 31 March

Notes

1 Accounting policies (continued)

Income statement

Revenue

Income from the sale of goods for resale and finished goods is recognised in the income statement provided that delivery and transfer of risk to the buyer have taken place and that the income can be reliably measured and is expected to be received. Revenue is measured ex. VAT and taxes and less discounts relating to sales.

Raw materials and packing materials

Costs of raw materials and packaging materials comprise raw materials and packaging materials used to generate revenue for the year.

Other external costs

Costs incurred in distributing goods sold, sale, marketing, administration, premises, bad debts, etc. are recognised as other external costs.

Staff costs

Staff costs comprise payroll, including holiday allowance, social security contributions, pensions, etc. for the Company's staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses comprise depreciation, amortisation and impairment losses for the year of property, plant and equipment.

Other operating costs

Other operating costs comprise items secondary to the activities of the Company, including losses on the disposal of intangible assets and property, plant and equipment.

Financial statements 1 April – 31 March

Notes

1 Accounting policies (continued)

Financial income and expenses

Financial income and expenses comprise interest income and expense on assets and payables as well as transactions denominated in foreign currencies.

Tax on profit/loss for the year

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Property, plant and equipment

Assets are measured at cost less accumulated depreciation and impairment losses. Depreciation is provided on a straight-line basis over the expected useful lives of the assets. For plant and machinery, the expected useful life is set at 5-10 years, other assets at 3-5 years and buildings at 30 years.

Cost comprises the acquisition price and costs directly related to the acquisition until the time when the asset is ready for use.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Grants related to investments in property, plant and equipment are deducted in the acquisition price of the asset. The grants are recognised at the time of acceptance or the settlement of the grants.

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

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

Financial statements 1 April – 31 March

Notes

1 Accounting policies (continued)

Leases

Leases for fixed assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are initially recognised in the balance sheet at cost, corresponding to the lower of fair value and the net present value of future lease payments. When the net present value of the future lease payments is calculated, 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 depreciated as the Company's other fixed assets.

The capitalised residual lease obligation 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.

All other leases are treated as operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed as contingencies, etc.

Impairment of fixed assets

The carrying amount of property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairments tests are conducted of individual assets when there is an indication that they might be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

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

Other investments

Deposits are recognised at cost.

Financial statements 1 April – 31 March

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1 Accounting policies (continued)

Inventories

Raw materials and packaging materials are measured at purchase price in accordance with the FIFO method.

Work in progress and finished goods are valued at calculated cost comprising the costs of raw materials and packaging materials as well as processing costs plus direct costs and a share of production overheads.

Indirect production overheads comprise indirect materials and wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Goods for resale are valued at purchase price.

Where the net realisable value is lower than cost/purchase price, inventories are written down to the lower value.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's credit risk management policy. The objective indicators used in relation to portfolios are determined on the basis of past history of bad debts.

Financial statements 1 April – 31 March

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1 Accounting policies (continued)

Prepayments

Prepayments comprise prepayments of costs relating to subsequent financial years.

Equity

Dividends

Proposed dividends are recognised as a liability at the date on which they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes, office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; 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. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with 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. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement and equity, respectively.

Financial statements 1 April – 31 March

Notes

1 Accounting policies (continued)

Non-current liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the 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.

Other liabilities are measured at net realisable value.

Cash flow statement

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

The cash flow effect of acquisitions and divestment of entities is shown separately in cash flows from investing activities. Cash flows relating to acquired entities are recognised in the cash flow statement from the date of acquisition, and cash flows relating to divested entities are recognised up to the date of divestment.

Cash flows from operating activities

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities, intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise purchase and sale of treasury shares, payments relating to increases or reductions in capital and related costs as well as payment of dividends to shareholders and raising and repayment of interest-bearing debt.

Financial statements 1 April – 31 March

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1 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are easily convertible into cash and which are subject to only an insignificant risk of changes in value.

Segment information

Information is provided on geographical markets.

Financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios have been calculated as follows:

Operating margin	$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$
Equity ratio	$\frac{\text{Profit/loss from ordinary activities after tax} \times 100}{\text{Average equity}}$

Financial statements 1 April – 31 March

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2 Segment information

Segment information is provided on geographical markets. The segment information is in line with the Group's accounting policies, risk and internal financial management.

EUR'000	2016/17	2015/16
Revenue		
Export markets	86,473	84,271
Domestic market	3,656	3,972
	<u>90,129</u>	<u>88,243</u>

3 Staff costs

Wages and salaries	19,385	18,730
Pensions	1,599	1,526
Other social security	222	228
	<u>21,206</u>	<u>20,484</u>
Average number of full-time employees	<u>368</u>	<u>377</u>

Staff costs include remuneration of Management at an amount of EUR 222 thousand. (2015/16: EUR 190 thousand).

In accordance with section 98b (3) (i) of the Danish Financial Statements Act, remuneration of the Executive Board and the Board of Directors is disclosed as a one-line item.

4 Fees to auditor appointed at the general meeting

EUR'000	2016/17	2015/16
Statutory audit services	37	37
Tax assistance	5	5
Other assistance	3	3
	<u>45</u>	<u>45</u>

Financial statements 1 April – 31 March

Notes

EUR'000		2016/17	2015/16
5	Financial income		
	Interest income, group entities	416	1,074
	Other interest income	0	1
		<u>416</u>	<u>1,075</u>
6	Financial expenses		
	Interest expense, group entities	21	811
	Other interest expense	122	787
		<u>143</u>	<u>1,598</u>
7	Tax on profit/loss for the year		
	Calculated tax on the taxable income for the year	0	0
	Adjustments for the year of deferred tax	0	1,063
		<u>0</u>	<u>1,063</u>
8	Proposed profit appropriation/ distribution of loss		
	Retained earnings	<u>-533</u>	<u>1,788</u>

Financial statements 1 April – 31 March

Notes

9 Property, plant and equipment

EUR'000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
Cost at 1 April 2016	19,584	72,319	6,334	1,745	99,982
Foreign currency adjustment	44	165	14	4	227
Reclassification	9	552	0	-561	0
Additions during the year	0	0	0	4,012	4,012
Disposals during the year	-188	-10,683	0	0	-10,871
Cost at 31 March 2017	19,449	62,353	6,348	5,200	93,350
Depreciation and impairment losses at 1 April 2016	12,972	66,514	6,238	0	85,724
Foreign currency adjustment	29	152	14	0	195
Disposals during the year	-105	-10,622	0	0	-10,727
Impairment for the year	0	463	0	0	463
Depreciation for the year	615	1,506	38	0	2,159
Depreciation and impairment losses at 31 March 2017	13,511	58,013	6,290	0	77,814
Carrying amount at 31 March 2017	5,938	4,340	58	5,200	15,536
Assets held under finance leases		77			
Depreciated over	0-30 years	5-10 years	3-5 years		

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	EUR'000	2016/17	2015/16
10	Prepayments		
	Prepaid assurance	63	71
	Other prepayments	417	250
		<u>480</u>	<u>321</u>
11	Deferred tax		
	Deferred tax at 1 April 2016	1,060	0
	Exchange rate adjustment	2	0
	Deferred tax adjustment for the year in the income statement	0	1,060
		<u>1,062</u>	<u>1,060</u>

The Company's preliminary net deferred tax asset at 31 March 2017 amounted to EUR 18.0 million.

Due to uncertainty in estimating future earnings, Management has chosen only to capitalise a deferred tax asset amounting to budgeted profits for the coming three years. Going forward, Management will also assess any potential capitalisation of the deferred tax asset.

12 Equity

The share capital comprises 10,200,000 shares of DKK 10 each. All shares rank equally. The share capital has not undergone any changes during the past five years.

13 Non-current liabilities

Of total liabilities of EUR 30 thousand, EUR 0 thousand falls due after five years.

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	2016/17	2015/16
EUR'000		
14 Other adjustments		
Other financial income	416	1,075
Financial expenses	-143	-1,598
Tax on profit/loss for the year	0	-1,063
Depreciation and amortisation	-11	-35
Gains on the disposal of fixed assets	-87	-17
	<u>175</u>	<u>-1,638</u>
15 Changes in working capital		
Change in inventories	-320	-1,451
Change in receivables	5,377	15,515
Change in trade and other payables	-3,737	-17,969
	<u>1,320</u>	<u>-3,905</u>

16 Contractual obligations, contingencies, etc.

Other liabilities

For 2016/17, the Company has a commitment to purchase energy for production purposes at a total of EUR 959 thousand.

Contingent liabilities

The Company is a party to a few pending lawsuits. In Management's opinion, apart from the liabilities recognised in the balance sheet at 31 March 2017, the outcome of these lawsuits will not affect the Company's financial position.

Operating lease obligations

The Company has entered into operating leases with a remaining term of 1-60 months and an average monthly lease payment of EUR 22 thousand, totalling EUR 1,321 thousand.

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17 Related party disclosures

C&D Foods Denmark A/S' related parties comprise the following:

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C&D Foods Ireland Holdings Limited, Channel Islands, Great Britain.

C&D Foods Ireland Holdings Limited holds the majority of the share capital in the Company.

C&D Foods Denmark A/S is part of the consolidated financial statements of C&D Foods Ireland Holdings Limited, Great Britain, in which is the smallest and largest group in which the Company is included as a subsidiary.

The consolidated financial statements of C&D Foods Ireland Holdings Limited can be obtained from the Company.

Related party transactions

The Company has chosen only to disclose transactions that are not carried out on an arm's length basis in accordance with section 98c(7) of the Danish Financial Statements Act.