

C&D Foods (Denmark) A/S

Øresundsvej 2
6715 Esbjerg
Denmark

CVR no. 78 80 49 12

Annual report 2017/18

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

20 June 2018

Fleming 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 2017 – 31 March 2018.

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 2018 and of the results of the Company's operations and cash flows for the financial year 1 April 2017 – 31 March 2018.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations 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, 20 June 2018
Executive Board:

John Gerard Noone

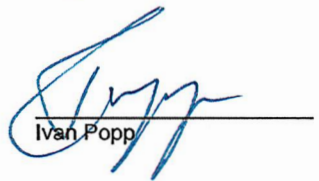
Board of Directors:




Mogens Jensen
Chairman

Robert John Reynolds

John Gerard Noone



Ivan Popp



Jan Broe Hansen



Independent auditor's report

To the shareholder 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 2017 – 31 March 2018 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 2018 and of the results of the Company's operations and cash flows for the financial year 1 April 2017 – 31 March 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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.

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 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.



Independent auditor's report

- 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.

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 Statements Act. We did not identify any material misstatement of the Management's review.

Kolding, 20 June 2018

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Nikolaj Møller Hansen
State Authorised
Public Accountant
MNE no. 33220

C&D Foods (Denmark) A/S
Annual report 2017/18
CVR no. 78 80 49 12

Management's review

Company details

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

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, Chairman
Robert John Reynolds
John Gerard Noone
Ivan Popp
Jan Broe Hansen

Executive Board

John Gerard Noone

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Jupitervej 4
6000 Kolding
Denmark

Annual general meeting

The annual general meeting will be held on 20 June 2018.

Management's review

Financial highlights

EURm	2017/18	2016/17	2015/16	2014/15	2014 (3 mon)
Key figures					
Revenue	76	90	88	84	19
Ordinary operating profit/loss	0	-1	1	1	-1
Profit/loss from financial income and expenses	0	0	-1	1	0
Profit/loss for the year	1	-1	2	2	-1
Fixed assets	28	29	28	51	57
Current assets	24	24	29	23	21
Total assets	52	53	58	74	78
Share capital	14	14	14	14	14
Equity	38	37	38	36	34
Non-current liabilities	0	0	2	22	30
Current liabilities	14	16	18	16	14
Ratios					
Operating margin	0.4%	-0.9%	1.4%	0.9%	-5.0%
Solvency ratio	72.8%	69.5%	65.2%	48.4%	43.5%
Other key figures					
Average number of full-time employees	306	368	377	325	284

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Ratios". The financial ratios have been calculated as follows:

Operating margin
$$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$$

Solvency ratio
$$\frac{\text{Equity ex. non-controlling interests at year end} \times 100}{\text{Total equity and liabilities at year end}}$$

Management's review

Operating review

Principal activities

The Company is BRC and IFS approved and supplies Wet pet food to the European retail trade as a "private label" manufacturer of pet food. Furthermore, C&D Foods (Denmark) A/S is a sub-supplier of Wet pet food 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 76 million, which was close to expectations.

Profit for the year amounted to EUR 0,7 million, which is an increase compared to last year.

Investments in fixed assets for 2017/2018 amounted to EUR 1,842 thousand (2016/17: EUR 4,012 thousand).

Uncertainty regarding recognition and measurement

The Company's deferred tax at 31 March 2018 makes up a significant amount available for indefinite carryforward. The use thereof depends on the development in future earnings, which is uncertain. Due to precariousness 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 10.

Outlook

EBITDA for the coming year is expected to increase from the level in 2017/18.

Particular risks

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

Financial risks

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

Currency risks

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

Interest rate risks

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

Management's review

Operating review

Credit risks

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 of 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. The Company follows group policies not to disclose CSR in the annual report. Accordingly, no reporting has been prepared in this respect.

Goals and policies for the underrepresented gender

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 target is to increase the share of women on the Executive Board to 1/3 by 2022. This accounts for 1 female member out of the 3 elected by the annual general meeting. As stated the Board members are solely elected based on qualifications rather than gender. This may interfere with the completion of the target. The measures initiated did not pay off in 2017/18.

C&D Foods (Denmark) A/S' goal to have at least one female manager 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 1/5.

Environmental matters

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 2017/18, 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, and especially the energy savings project with reduced energy used in the production has contributed a lot.

In 2018/19, 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

In 2017/18, 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

Reference is made to note 18, in which the matter is described in further detail.

Financial statements 1 April – 31 March

Income statement

EUR'000	Note	2017/18	2016/17
Revenue	2	75,803	90,129
Cost of goods sold		-42,853	-51,867
Other operating income		566	0
Other external costs	3	-12,901	-15,617
Gross profit		20,615	22,645
Staff costs	4	-17,473	-21,206
Depreciation and amortisation		-2,838	-2,158
Ordinary operating profit/loss		304	-719
Other operating costs		0	-87
Operating profit/loss		304	-806
Financial income	5	411	416
Financial expenses	6	-13	-143
Profit/Loss before tax		702	-533
Tax on profit/loss for the year		0	0
Profit/Loss for the year	7	702	-533

Financial statements 1 April – 31 March

Balance sheet

EUR'000	Note	2017/18	2016/17
ASSETS			
Fixed assets			
Intangible assets	8		
Trademarks		126	0
Software		339	0
		<u>465</u>	<u>0</u>
Property, plant and equipment	9		
Land and buildings		5,127	5,938
Property, plant and equipment under construction		5,238	5,200
Plant and machinery		4,107	4,340
Fixtures and fittings, tools and equipment		34	58
		<u>14,506</u>	<u>15,536</u>
Investments			
Loans to group entities		12,772	13,836
Deposits		28	32
		<u>12,800</u>	<u>13,868</u>
Total fixed assets		<u>27,771</u>	<u>29,404</u>
Current assets			
Inventories			
Raw materials and consumables		2,683	3,988
Work in progress		1,085	1,220
Finished goods and goods for resale		5,651	4,647
		<u>9,419</u>	<u>9,855</u>
Receivables			
Trade receivables		1,670	1,496
Receivables from group entities		10,485	10,813
Other receivables		614	88
Deferred tax asset	10	1,060	1,062
Prepayments	11	413	480
		<u>14,242</u>	<u>13,939</u>
Cash at bank and in hand		<u>393</u>	<u>164</u>
Total current assets		<u>24,054</u>	<u>23,958</u>
TOTAL ASSETS		<u>51,825</u>	<u>53,362</u>

Financial statements 1 April – 31 March

Balance sheet

EUR'000	Note	2017/18	2016/17
EQUITY AND LIABILITIES			
Equity			
Share capital	12	13,684	13,714
Retained earnings		<u>24,019</u>	<u>23,370</u>
Total equity		<u>37,703</u>	<u>37,084</u>
Liabilities other than provisions			
Non-current liabilities other than provisions			
Other payables	13	<u>12</u>	<u>30</u>
		12	30
Current liabilities other than provisions			
Current portion of non-current liabilities		20	20
Trade payables		9,558	10,911
Payables to group entities		286	310
Other payables		<u>4,246</u>	<u>5,007</u>
		14,110	16,248
Total liabilities other than provisions		<u>14,122</u>	<u>16,278</u>
TOTAL EQUITY AND LIABILITIES		<u><u>51,825</u></u>	<u><u>53,362</u></u>

Financial statements 1 April – 31 March

Statement of changes in equity

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 April 2017	13,714	23,370	37,084
Exchange rate adjustment	-30	-53	-83
Transferred over the profit appropriation	<u>0</u>	<u>702</u>	<u>702</u>
Equity at 31 March 2018	<u><u>13,684</u></u>	<u><u>24,019</u></u>	<u><u>37,703</u></u>

Financial statements 1 April – 31 March

Cash flow statement

EUR'000	Note	2017/18	2016/17
Profit/Loss for the year		702	-533
Other adjustments of non-cash operating items	14	-471	-175
Depreciation and amortisation losses		2,838	2,817
Cash flows from operations before changes in working capital		3,069	2,109
Changes in working capital	15	-2,020	1,320
Cash flows from ordinary activities		1,049	3,429
Interest income		397	416
Interest expense		-13	-146
Cash flows from operating activities		1,433	3,699
Acquisition of intangible assets		-686	0
Acquisition of property, plant and equipment		-3,635	-4,800
Disposal of property, plant and equipment		2,053	705
Repayments on loans		1,064	0
Cash flows from investing activities		-1,204	-4,095
Cash flows for the year		229	-396
Cash and cash equivalents at the beginning of the year		164	560
Cash and cash equivalents at year end		393	164

Financial statements 1 April – 31 March

Notes

1 Accounting policies

The annual report of C&D Foods (Denmark) A/S for 2017/18 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

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

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.

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. The date of transfer of the most significant benefits and risks is determined using standard Incoterms ® 2010.

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

Cost of sales

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

Other operating income

Other operating income comprises items secondary to the activities of the entity, including gains on the disposal of intangible assets and property, plant and equipment.

Financial statements 1 April – 31 March

Notes

1 Accounting policies (continued)

Other external costs

Other external costs comprise distribution costs and costs related to sales, marketing, administration, office premises, bad debt, operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees.

Depreciation and amortisation

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

Other operating costs

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

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

Intangible assets

Trademarks and software are measured at cost less accumulated amortisation. Trademarks and software are amortised on a straight-line basis over the remaining life.

The amortisation period for trademarks is usually 1-2 years and for software 3-5 years.

Gains and losses on the disposal of intangible assets are determined 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)

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

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.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Buildings	30 years
Plant and machinery	5-10 years
Fixtures and fittings, tools and equipment	3-5 years

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

Land is not depreciated.

Fixed assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

Depreciation is recognised in the income statement as depreciation and amortisation.

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.

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.

Financial statements 1 April – 31 March

Notes

1 Accounting policies (continued)

Impairment of fixed assets

The carrying amount of intangible assets and 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.

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

The recoverable amount is the 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 forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Other investments

Deposits are recognised at cost.

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.

Financial statements 1 April – 31 March

Notes

1 Accounting policies (continued)

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.

Prepayments

Prepayments comprise prepayment 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 and on 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 or equity, respectively.

Liabilities other than provisions

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Finance lease obligation comprise the capitalised residual lease obligation of finance leases.

Other liabilities are measured at net realisable value.

Financial statements 1 April – 31 March

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1 Accounting policies (continued)

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 Company's share of 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 changes in size or composition of the Company's share capital and costs in this respect as well as raising of loans, instalments on interest-bearing debt and distribution of dividends to owners.

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

Segment information is provided on geographical markets.

Financial statements 1 April – 31 March

Notes

2 Segment information

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

EUR'000	2017/18	2016/17
Revenue		
Export markets	72,704	86,473
Domestic market	3,099	3,656
	<u>75,803</u>	<u>90,129</u>

3 Fees to auditor appointed at the general meeting

Total fees to KPMG:

Statutory audit services	37	37
Tax assistance	5	5
Other assistance	3	3
	<u>45</u>	<u>45</u>

4 Staff costs

Wages and salaries	15,917	19,385
Pensions	1,378	1,599
Other social security costs	178	222
	<u>17,473</u>	<u>21,206</u>
Average number of full-time employees	<u>306</u>	<u>368</u>

Staff costs include remuneration of Management at an amount of EUR 213 thousand. (2016/17: EUR 222 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 oneline item.

5 Financial income

	2017/18	2016/17
Interest income from group entities	397	416
Exchange gains	14	0
	<u>411</u>	<u>416</u>

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6 Financial expenses

	2017/18	2016/17
Interest expense to group entities	0	21
Other financial costs	13	122
	<u>13</u>	<u>143</u>

7 Proposed profit appropriation/distribution of loss

Retained earnings	702	-533
	<u>702</u>	<u>-533</u>

8 Intangible assets

EUR'000	Trademarks	Software	Total
Cost at 1 April 2017	289	0	289
Additions for the year	175	426	601
Cost at 31 March 2018	464	426	890
Amortisation at 1 April 2017	-204	0	-204
Amortisation for the year	-134	-87	-221
Amortisation at 31 March 2018	-338	-87	-425
Carrying amount at 31 March 2018	<u>126</u>	<u>339</u>	<u>465</u>

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9 Property, plant and equipment

EUR'000	Land and buildings	Property, plant and equipment under construction	Plant and machinery	Fixtures and fittings, tools and equipment	Total
Cost at 1 April 2017	19,449	5,200	62,353	6,348	93,350
Exchange rate adjustment	-13	-11	-8	0	-32
Additions for the year	0	1,842	0	0	1,842
Disposals for the year	-464	0	-9,713	0	-10,177
Transfers for the year	8	-1,793	1,773	12	0
Cost at 31 March 2018	18,980	5,238	54,405	6,360	84,983
Depreciation losses at 1 April 2017	-13,511	0	-58,013	-6,290	-77,814
Exchange rate adjustment	0	0	-17	0	-17
Transfers for the year	8	0	-8	0	0
Depreciation for the year	-629	0	-1,952	-36	-2,617
Reversed depreciation on assets sold	279	0	9,692	0	9,971
Depreciation losses at 31 March 2018	-13,853	0	-50,298	-6,326	-70,477
Carrying amount at 31 March 2018	5,127	5,238	4,107	34	14,506
Assets held under finance leases	0	0	63	0	0

10 Deferred tax

EUR'000	2017/18	2016/17
Deferred tax at 1 April	1,062	1,060
Exchange rate adjustment	-2	2
	1,060	1,062

The Company's preliminary net deferred tax asset at 31 March 2018 amounted to EUR 129 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.

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11 Prepayments

EUR'000	2017/18	2016/17
Prepaid assurance	44	63
Other prepayments	369	417
	<u>413</u>	<u>480</u>

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 other than provisions

Of total liabilities of EUR 12 thousand, EUR 0 thousand falls due after five years.

14 Other adjustments

EUR'000	2017/18	2016/17
Other financial income	411	416
Financial expenses	-13	-143
Exchange rate adjustments	-22	-11
Gains on the disposal of non-current assets	95	-87
	<u>471</u>	<u>175</u>

15 Changes in working capital

Change in inventories	436	-320
Change in receivables	-299	5,377
Change in trade and other payables	-2,157	-3,737
	<u>-2,020</u>	<u>1,320</u>

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16 Contractual obligations, contingencies, etc.

Other liabilities

For 2017/18, the Company has a commitment to purchase energy for production purposes at a total of EUR 1,369 thousand.

Contingent liabilities

The Company is party to a few pending lawsuits. In Management's opinion, apart from the liabilities recognised in the balance sheet at 31 March 2018, the outcome of these lawsuits will not affect the Company's financial position.

Operating rent and lease obligations

The Company has entered into operating rent and leases with a remaining term of 1-49 months and an average monthly lease payment of EUR 18 thousand, totalling EUR 859 thousand.

17 Related party disclosures

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

Control

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

C&D Foods Ireland Holdings Limited holds the majority of the contributed 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

In accordance with section 98 c(7) of the Danish Financial Statements Act, the Company has not disclosed any related party transactions as they were conducted on an arm's length basis.

18 Disclosure of 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.