



KPMG
Statsautoriseret Revisionspartnerselskab
Amerika Plads 38
2100 København Ø
Denmark

Telephone +45 70 70 77 60
www.kpmg.dk
CVR no. 25 57 81 98

Lallemand Human Nutrition A/S

Annual Report 2014/15

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

on _____ 20 ____

chairman

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Statement by the Board of Directors and Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Lallemand Human Nutrition A/S for the financial year 1 February 2014 – 31 January 2015.

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

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 31 January 2015 and of the result of the Company's operations and cash flows for the financial year February 1 February 2014 – 31 January 2015.

Further, in our opinion, the Managements 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 its financial position.

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

Birkerød, 29 May 2015
Executive Board:

Ivan Krogsgaard Kristensen

Board of Directors:

William John Nankervis
Chairman

Francine Mondou

Nicolai Francis Jensen

Francois Leblanc

Independent auditors' report

To the shareholder of Lallemand Human Nutrition A/S

Independent auditors' report on the financial statements

We have audited the financial statement of Lallemand Human Nutrition A/S for the financial year 1 February 2014 – 31 January 2015. The financial statements comprise accounting policies, income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Our audit has not resulted in any qualification.

Independent auditors' report

Opinion

In our opinion, the financial statements gives a true and fair view of the Company's financial position at 31 January 2015 and of the results of the Company's operations for the financial year 1 February 2014 – 31 January 2015 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Managements review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Managements review is consistent with the financial statements.

Copenhagen, 29 May 2015

KPMG

Statsautoriseret Revisionspartnerselskab

Jon Beck
State Authorised
Public Accountant

Jakob Westerdahl
State Authorised
Public Accountant

Management's review

Company details

Lallemand Human Nutrition A/S
Toftebakken 9B
DK-3460 Birkerød

Telephone: +45 45 95 08 50

Fax: +45 45 83 99 88

Registration No: 13 34 13 89

Established: 11 August 1989

Registered office: Birkerød

Financial year: 1 February – 31 January

Board of Directors

William John Nankervis
Francine Mondou
Nicolai Francis Jensen
Francois Leblanc

Executive Board

Ivan Krogsgaard Kristensen

Auditors

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2100 København Ø

Management's review

Operating review

Ownership and activities

The Company is a wholly-owned subsidiary of Lallemand Denmark A/S.

The primary activity of the Company is sale of raw materials and health products.

Financial year

The Company's income statement shows a loss of DKK 41,993, and at 31 January 2015 equity stood at DKK 3,311,239.

Results were affected by major loss of a major customer.

The Company's performance during the year under review is not considered satisfactory.

Outlook

The Company expects to break-even for 2015/16 by reducing expenses to adjust to the lower level of sales.

Post balance sheet events

No events have occurred after the balance sheet date that materially affect the financial position of the Company at 31 January 2015.

Financial statements 1 February – 31 January

Accounting policies

The annual report of Lallemand Human Nutrition A/S for 2014/15 has been prepared in accordance with the provisions applying to class B enterprises under the Danish Financial Statements Act with addition of certain provisions applying to class C enterprises.

Foreign currency translation

On initial recognition, 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 as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies 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 or was recognised in the latest financial statements is recognised in the income statement as financial interest or financial expenses.

Income statement

Revenue

Revenue from the sale of raw materials and health products as well as commission income is recognised in the income statement provided that transfer of risk to the buyer has taken place before year end. Revenue is measured ex. VAT, and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Cost of goods sold

Cost of goods sold comprises goods for resale and other direct costs incurred in generating the revenue for the year.

Other external costs

Other external costs comprise expenses incurred during the year for distribution, sales campaigns, administration, office premises, losses on debtors, operating leases etc.

Financial statements 1 February – 31 January

Accounting policies

Staff costs

Staff costs includes salary and wages, inclusive holiday allowance and pensions, and other costs to social security for the companies employees. Refunds of salaries from the government are deducted from staff costs.

Interest income and expense and similar items

Interest income and expense and similar items comprise interest income and expense, realised and unrealised, gains and losses on payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities.

Tax on profit/loss for the year

The Company is subject to the Danish rules on joint taxation with Lallemand Denmark A/S. The parent company Lallemand Denmark A/S is the administrative company under the joint taxation and accordingly pays all corporation taxes to the tax authorities.

On payment of joint taxation contributions, the current Danish corporation tax is allocated between the jointly taxed companies in proportion to their taxable income. Companies with tax losses receive joint taxation contributions from other companies that have used the tax losses to reduce their own taxable profit.

Tax for the year comprises joint taxation contributions and changes in deferred tax for the year, including changes as a result of a change in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to changes in equity is recognised directly in equity.

Balance sheet

Plant and equipment

Tools and equipment and leasehold improvements are measured at cost less accumulated depreciation and impairment.

The depreciation base is cost less expected residual value after ended use.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Financial statements 1 February – 31 January

Accounting policies

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Leasehold improvements	5 years
Tools and equipment	3-5 years

Gains and losses on the disposal of plant and equipment are determined as the difference between the sales price less disposal costs and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement as depreciation.

Impairment of plant and equipment

The carrying amount of plant and equipment is subject to an annual impairment test.

When there is an indication that assets may be impaired, the recoverable amount of the asset is determined. Impairment is made to the lower of the recoverable amount and the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its capital value. The capital value is determined as the present value of the expected net income from the use of the asset or the asset group.

Inventories

Inventories are measured at cost in accordance with the average cost price method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Inventories are measured at cost, comprising purchase price plus delivery costs.

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 sales price.

Receivables

Receivables are measured at amortised cost. Write-down is made for bad debt losses based on an individual assessment of receivables.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Financial statements 1 February – 31 January

Accounting policies

Corporation tax and deferred tax

In accordance with the joint taxation rules, the liability of the Company for payment of corporation taxes to the tax authorities is settled as the joint taxation contributions are paid to the administrative company.

Financial statements 1 February – 31 January

Accounting policies

Payable and receivable joint taxation contributions are recognised in the balance sheet under balances with group enterprises.

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 base of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry forwards, 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 and jurisdiction.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the income statement.

Liabilities other than provisions

Financial liabilities, comprising trade payables and amounts owed to group enterprises 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.

Other liabilities are measured at net realisable value.

Financial statements 1 February – 31 January

Income statement

	Note	2014/15	2013/14
Revenue		9,437,169	16,063,751
Costs of sale		-1,591,609	-3,757,285
Gross profit		7,845,560	12,306,466
Other external costs		-2,677,661	-3,020,726
Staff costs	1	-5,071,291	-5,921,309
Depreciation	2	-6,932	17,291
Operating profit		89,676	3,381,722
Interest income and similar items	3	570,923	834,173
Interest expense and similar items	4	-713,616	-283,583
Profit/loss before tax		-53,017	3,932,312
Tax on profit/loss for the year	5	11,024	-986,700
Profit/loss for the year		-41,993	2,945,612
Proposed profit appropriation			
Proposed dividends		0	16,500,000
Retained earnings		-41,993	-13,554,388
		-41,993	2,945,612

Financial statements 1 February – 31 January

Balance sheet

	Note	2014/15	2013/14
ASSETS			
Fixed assets			
Plant and equipment			
Tools and equipment	6	0	3,887
Lease improvements		5,582	8,626
Total fixed assets		<u>5,582</u>	<u>12,513</u>
Current assets			
Inventories			
Finished goods		<u>856,204</u>	<u>578,708</u>
Receivables			
Trade receivables		415,560	250,561
Amounts owed by group enterprises		1,523,333	17,262,853
Deferred tax assets	7	26,374	15,350
Other receivables		297,739	306,941
Prepayments		<u>132,192</u>	<u>218,178</u>
		<u>2,395,198</u>	<u>18,053,883</u>
Cash at bank and in hand		<u>1,873,568</u>	<u>3,879,803</u>
Total current assets		<u>5,124,970</u>	<u>22,512,394</u>
TOTAL ASSETS		<u><u>5,130,552</u></u>	<u><u>22,524,907</u></u>

Financial statements 1 February – 31 January

Balance sheet

	Note	2014/15	2013/14
EQUITY AND LIABILITIES			
Equity			
Share capital		500,000	500,000
Retained earnings		2,811,239	2,853,235
Proposed dividends for the financial year		0	16,500,000
Total equity	8	<u>3,311,239</u>	<u>19,853,235</u>
Liabilities			
Current liabilities			
Trade payables		80,494	251,216
Amounts owed to group enterprises	9	676,133	1,050,638
Other payables		1,062,686	1,369,818
Total liabilities		<u>1,819,313</u>	<u>2,671,672</u>
TOTAL EQUITY AND LIABILITIES		<u>5,130,552</u>	<u>22,524,907</u>
Contingencies etc.	10		
Ownership	11		

Financial statements 1 February – 31 January

Notes

	2014/15	2013/14
1 Staff costs		
Wages and salaries	4,443,474	5,159,777
Pension	423,961	488,723
Other costs to social security	203,856	272,809
	<u>5,071,291</u>	<u>5,921,309</u>
Average number of full-time employees	<u>10</u>	<u>10</u>
2 Depreciation		
Depreciation for the year	6,932	7,709
Loss on disposal	0	-25,000
	<u>6,932</u>	<u>-17,291</u>
3 Interest income and similar items		
Other interest income and similar items	24	1
Interest income on amounts owned by group enterprises	570,899	774,704
Currency exchange gain	0	59,468
	<u>570,923</u>	<u>834,173</u>
4 Interest expense and similar items		
Other interest expense and similar items	822	76
Interest expense on amounts owned to group enterprises	603,516	283,507
Currency exchange loss	109,278	0
	<u>713,616</u>	<u>283,583</u>
5 Tax on profit/loss for the year		
Adjustment of provision for deferred tax	-11,024	3,900
Current tax for the year transferred to jointly taxed income	0	982,800
Total tax on profit/loss for the year	<u>-11,024</u>	<u>986,700</u>

Financial statements 1 February – 31 January

Notes

6 Plant and equipment

	Tools and equipment	Leasehold improvements
Cost at 1 February 2014	553,760	184,077
Disposals	-51,842	-18,444
Cost at 31 January 2015	501,918	165,633
Accumulated depreciation at 1 February 2014	549,873	175,451
Depreciation	3,888	3,044
Disposals	-51,843	-18,444
Accumulated depreciation at 31 January 2015	501,918	160,051
Carrying amount at 31 January 2015	0	5,582
Depreciated over	3-5 years	5 years

7 Deferred tax

	2014/15	2013/14
Property, plant and equipment	26,374	15,350
Total deferred tax	26,374	15,350

8 Capital and reserves

	Capital stock	Retained earning	Proposed dividend	Total
Balance at 1 February 2014	500,000	2,853,232	16,500,000	19,853,235
Dividend to shareholder			-16,500,000	-16,500,000
Loss for the year		-41,993		-41,993
Balance at 31 January 2015	500,000	2,811,239	0	3,311,239

The share capital consists of 1,000 shares of DKK 500 each.

Financial statements 1 February – 31 January

Notes

	2014/15	2013/14
9 Amounts owed to group enterprises		
Amounts owed to parent company	596,590	982,800
Amounts owed to affiliate	79,543	67,838
	<u>676,133</u>	<u>1,050,638</u>

10 Contractual obligations, contingencies etc.

Contingent liabilities

The Company is jointly taxed with other Danish group companies. As a wholly owned subsidiary the Company is liable together with other companies in the joint taxation for all corporate taxes in the joint taxation.

Lease liabilities

The company has entered into lease agreements regarding premises and operating equipment for a period of up to five years with a residual obligation of DKK 2,372,942 (2013/14: DKK 2,144,094)

11 Ownership

The following shareholders are registered in the Company's register of shareholders as owning minimum 5% of the votes or minimum 5% of the share capital:

Lallemand Denmark A/S
Bredstrupvej 33
8500 Grenaa