

**Thoraso ApS**  
Skaarupgaard 59  
9870 Sindal  
Central Business Registration  
No 17690833

## **Annual report 2016**

The Annual General Meeting adopted the annual report on 30.05.2017

### **Chairman of the General Meeting**

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Name: Eva Jørgensen

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## Entity details

### Entity

Thoraso ApS  
Skaarupgaard 59  
9870 Sindal

Central Business Registration No: 17690833  
Registered in: Hjørring  
Financial year: 01.01.2016 - 31.12.2016

### Board of Directors

Anders Peder Petersen, Chairman  
Rasmus Hougaard  
Thomas Hougaard  
Anker Laden-Andersen  
Henrik Hougaard

### Executive Board

Henrik Hougaard

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab  
Gøteborgvej 18  
9200 Aalborg SV

## Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Thoraso ApS for the financial year 01.01.2016 - 31.12.2016.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations and cash flows for the financial year 01.01.2016 - 31.12.2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Sindal, 30.05.2017

### Executive Board

Henrik Hougaard

### Board of Directors

Anders Peder Petersen  
Chairman

Rasmus Hougaard

Thomas Hougaard

Anker Laden-Andersen

Henrik Hougaard

## Independent auditor's report

### To the shareholders of Thoraso ApS

#### Opinion

We have audited the consolidated financial statements and the parent financial statements of Thoraso ApS for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2016, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2016 - 31.12.2016 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Management's responsibilities for the consolidated financial statements and the parent financial statements

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

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could

## Independent auditor's report

reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent 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 consolidated financial statements and the parent 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 Group's and the Entity'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 consolidated financial statements and the parent 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 Group's and the Entity'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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

## Independent auditor's report

### Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent 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 commentary.

Aalborg, 30.05.2017

### Deloitte

Statsautoriseret Revisionspartnerselskab  
Central Business Registration No: 33963556

Thomas Skovsgaard  
State Authorised Public Accountant

Jakob Olesen  
State Authorised Public Accountant

## Management commentary

	2016 DKK'000	2015 DKK'000	2014 DKK'000	2013 DKK'000	2012 DKK'000
<b>Financial highlights</b>					
<b>Key figures</b>					
Revenue	619.338	519.043	452.548	489.188	564.682
Gross profit/loss	220.332	203.857	196.764	208.007	202.158
Operating profit/loss	38.807	18.425	21.380	37.863	28.215
Net financials	17.540	1.238	(3.831)	(1.816)	(4.202)
Profit/loss for the year	47.771	16.506	12.876	27.203	14.740
Total assets	575.261	491.087	466.837	434.213	392.314
Equity incl minority interests	161.397	192.409	177.489	174.849	157.009
Equity excl. minority interests	148.728	113.537	100.274	99.237	100.397
Cash flows from (used in) operating activities	55.072	14.012	23.681	30.339	66.697
Cash flows from (used in) investing activities	(123.167)	(18.925)	(33.723)	(79.652)	(11.521)
Cash flows from (used in) financing activities	51.328	13.319	(11.779)	29.489	(35.626)
Employees in average	453	460	444	418	406
Investment in tangible fixed assets	9.501	7.813	16.795	73.928	15.058
<b>Ratios</b>					
Gross margin (%)	35,6	39,3	43,5	42,5	35,8
Solvency ratio excl. minority interests	25,9	23,1	21,5	22,9	25,6
Solvency ratio incl. minority interests	28,1	39,2	38,0	40,3	40,0

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Solvency ratio excl. minority interests	$\frac{\text{Equity excl. minority interests, end of year} \times 100}{\text{Balance sheet total, end of year}}$	The financial strength of the entity excl. minority.
Solvency ratio incl. minority interests	$\frac{\text{Equity incl. minority interests, end of year} \times 100}{\text{Balance sheet total, end of year}}$	The financial strength of the entity incl. minority.



## Management commentary

### Primary activities

The principal activities of the group comprise product development, manufacturing, sales, installation and aftersales service of machines and projects for pig producers, as well as for the grain and seed industry.

The main activities also comprise investments in agricultural and real estate companies in Denmark as well as abroad.

Thoraso group is holding shares in companies located in 17 countries on 6 continents.

### Development in activities and finances

The continued market development in the SKIOLD Group has continued successfully through the year, resulting in very promising markets in Vietnam, Australia and other Far East Countries. This is more than compensating for the weak demand on the European market.

The investment in Scandinavian Farms, a Danish controlled pig production in China, is developing very well. At present 1.600 breeding sows and 5.000 production sows are in full operation, and during 2016 another 7.800 sows was added to the herd. Around 350.000 slaughterpigs will be produced in 2017. Thoraso is holding 14% of the shares in the production company.

Thoraso ApS has acquired the remaining 58% shares in Skiold Holding ApS and as a consequence the share of equity attributable to minority interests is adjusted by DKK 66 mio. The remaining equity is unchanged by the acquisition.

The result is realized better than expected, and better than 2015.

### Uncertainty relating to recognition and measurement

Thoraso has provided a loan to DUI Holding A/S for an amount of DKK 13 mio., and has further provided a surety commitment for up to DKK. 4 mio. It is the assessment of the management that it is not necessary to make any provisions in this respect. The assessment is subject to uncertainty.

### Outlook

We expect a result before tax in 2017 at the same level as in 2016.

### Particular risks

Thoraso has investments in the western part of Ukraine in several agricultural companies. The ongoing conflict has an impact on the exchange rate and the sale of the companies' products, however, it is difficult to predict how it will affect the company in the short term and in the long term.

### Intellectual capital resources

The group possesses the professional knowledge required to control and develop the technologies and processes forming part of the principal activities of the group.

### Environmental performance

The group does not have any particular environmental impacts, except for those common to similar enterprises.

## Management commentary

### Research and development activities

The development activities take place in the individual group companies and focus on a continuous development of new products within the core activities of each company.

### Statutory report on corporate social responsibility

The parent company has no approved policies regarding corporate social responsibility.

The SKIOLD Group is continuously working to develop policy containing guidelines, objectives and strategies to ensure a safe and healthy work environment. As a result of working with social responsibility, the SKIOLD Group recruits employees with reduced working ability and works specifically with the reduction of sickness absence among employees.

The Group has no approved policies regarding human rights and climatic impacts.

### Statutory report on the underrepresented gender

Target figures are not set up and policies are not prepared for the gender distribution in the Group, taken as a whole. The parent company has as its goal to achieve a balanced gender distribution in its board of directors within the coming 3-5 years. Status at the end of 2016 is that none of the parent company's board members are women.

### Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

## Consolidated income statement for 2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Revenue	2	619.337.623	519.043.177
Other operating income		1.871.773	8.167.708
Cost of sales		(320.252.797)	(245.034.273)
Other external expenses	3	(80.624.797)	(78.319.495)
<b>Gross profit/loss</b>		<b>220.331.802</b>	<b>203.857.117</b>
Staff costs	4	(163.266.840)	(166.837.365)
Depreciation, amortisation and impairment losses		(17.720.363)	(16.275.000)
Other operating expenses		(537.798)	(2.319.360)
<b>Operating profit/loss</b>		<b>38.806.801</b>	<b>18.425.392</b>
Income from investments in associates		17.094.397	8.867.882
Income from other fixed assets investments		6.576.664	(2.643.254)
Other financial income		1.878.531	2.701.461
Impairment of financial assets		(3.288.221)	(3.019.603)
Other financial expenses		(4.721.328)	(4.668.761)
<b>Profit/loss before tax</b>		<b>56.346.844</b>	<b>19.663.117</b>
Tax on profit/loss for the year	5	(8.554.113)	(3.157.020)
<b>Profit or loss from continuing operations</b>		<b>47.792.731</b>	<b>16.506.097</b>
<b>Profit or loss from discontinued operations</b>	1	<b>(21.427)</b>	<b>0</b>
<b>Profit/loss for the year</b>	6	<b>47.771.304</b>	<b>16.506.097</b>

## Consolidated balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Completed development projects		12.329.032	14.814.812
Acquired intangible assets		3.818.657	5.358.973
Goodwill		24.943.041	4.387.570
Development projects in progress		3.090.882	0
<b>Intangible assets</b>	<b>7</b>	<b>44.181.612</b>	<b>24.561.355</b>
Land and buildings		122.743.881	122.631.153
Plant and machinery		11.869.469	14.557.661
Other fixtures and fittings, tools and equipment		2.262.884	2.144.068
Leasehold improvements		185.767	238.553
<b>Property, plant and equipment</b>	<b>8</b>	<b>137.062.001</b>	<b>139.571.435</b>
Investments in associates		54.946.179	40.513.898
Receivables from associates		50.238.711	33.242.873
Other investments		40.514.232	37.822.120
Deposits		727.968	5.900
Other receivables		14.505.495	0
<b>Fixed asset investments</b>	<b>9</b>	<b>160.932.585</b>	<b>111.584.791</b>
<b>Fixed assets</b>		<b>342.176.198</b>	<b>275.717.581</b>
Raw materials and consumables		24.502.995	23.780.085
Work in progress		17.471.433	16.566.472
Manufactured goods and goods for resale		59.428.275	58.543.124
Prepayments for goods		0	7.685
<b>Inventories</b>		<b>101.402.703</b>	<b>98.897.366</b>

## Consolidated balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Trade receivables		93.795.601	62.206.917
Contract work in progress	11	3.059.696	2.429.047
Receivables from associates		6.369.948	6.063.753
Deferred tax	12, 15	1.605.595	0
Other receivables	13	6.363.194	16.647.203
Income tax receivable		141.598	1.078.252
Prepayments	14	2.277.964	12.141.665
<b>Receivables</b>		<b>113.613.596</b>	<b>100.566.837</b>
Other investments		0	958.705
<b>Other investments</b>		<b>0</b>	<b>958.705</b>
<b>Cash</b>		<b>18.068.698</b>	<b>14.946.519</b>
<b>Current assets</b>		<b>233.084.997</b>	<b>215.369.427</b>
<b>Assets</b>		<b>575.261.195</b>	<b>491.087.008</b>

## Consolidated balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Contributed capital		200.000	200.000
Retained earnings		148.227.769	113.037.275
Proposed dividend		300.000	300.000
<b>Equity attributable to the Parent's owners</b>		<b>148.727.769</b>	<b>113.537.275</b>
<b>Share of equity attributable to minority interests</b>		<b>12.669.228</b>	<b>78.871.820</b>
<b>Equity</b>		<b>161.396.997</b>	<b>192.409.095</b>
Deferred tax	12, 15	3.947.701	3.602.604
Other provisions	16	17.924.549	9.441.468
<b>Provisions</b>		<b>21.872.250</b>	<b>13.044.072</b>
Mortgage debts		89.017.358	93.774.851
Bank loans		6.054.242	9.849.896
Deposits		1.356.910	1.111.083
Other payables		84.841.420	7.094.534
<b>Non-current liabilities other than provisions</b>	17	<b>181.269.930</b>	<b>111.830.364</b>

## Consolidated balance sheet at 31.12.2016

	<b>Notes</b>	<b>2016 DKK</b>	<b>2015 DKK</b>
Current portion of long-term liabilities other than provisions	17	12.589.703	9.316.841
Bank loans		66.871.290	46.980.897
Prepayments received from customers		25.790.063	22.489.635
Contract work in progress	11	2.692.000	15.139.000
Trade payables		36.973.173	26.159.283
Income tax payable		7.245.685	0
Other payables		51.967.685	46.413.224
Deferred income	18	6.592.419	7.304.597
<b>Current liabilities other than provisions</b>		<b>210.722.018</b>	<b>173.803.477</b>
<b>Liabilities other than provisions</b>		<b>391.991.948</b>	<b>285.633.841</b>
<b>Equity and liabilities</b>		<b>575.261.195</b>	<b>491.087.008</b>
Associates	10		
Unrecognised rental and lease commitments	20		
Mortgages and securities	21		
Transactions with related parties	22		
Subsidiaries	23		

## Consolidated statement of changes in equity for 2016

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Share of equity attributable to minority interests DKK
Equity beginning of year	200.000	113.037.275	300.000	78.871.820
Effect of mergers and business combinations	0	0	0	(65.625.180)
Ordinary dividend paid	0	0	(300.000)	0
Exchange rate adjustments	0	(758.991)	0	(20.249)
Other equity postings	0	1.247.068	0	0
Dividends from group enterprises	0	0	0	(13.326.050)
Profit/loss for the year	0	34.702.417	300.000	12.768.887
<b>Equity end of year</b>	<b>200.000</b>	<b>148.227.769</b>	<b>300.000</b>	<b>12.669.228</b>

  

	Total DKK
Equity beginning of year	192.409.095
Effect of mergers and business combinations	(65.625.180)
Ordinary dividend paid	(300.000)
Exchange rate adjustments	(779.240)
Other equity postings	1.247.068
Dividends from group enterprises	(13.326.050)
Profit/loss for the year	47.771.304
<b>Equity end of year</b>	<b>161.396.997</b>



## Consolidated cash flow statement for 2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Operating profit/loss		38.806.801	18.425.392
Amortisation, depreciation and impairment losses		17.720.363	16.275.000
Working capital changes	19	(10.393.995)	(12.302.374)
Provisions		8.483.081	0
Discontinued operations		(20.573)	0
Other adjustments		2.082.905	0
<b>Cash flow from ordinary operating activities</b>		<b>56.678.582</b>	<b>22.398.018</b>
Financial income received		3.558.614	874.514
Financial income paid		(4.089.569)	(4.894.764)
Income taxes refunded/(paid)		(1.076.110)	(4.365.782)
<b>Cash flows from operating activities</b>		<b>55.071.517</b>	<b>14.011.986</b>
Acquisition etc of intangible assets		(8.905.789)	(7.808.180)
Sale of intangible assets		920.460	947.886
Acquisition etc of property, plant and equipment		(9.501.118)	(7.812.529)
Sale of property, plant and equipment		0	3.417.248
Acquisition of fixed asset investments		(14.505.495)	(4.260.117)
Acquisition of equity investments from minorities		(91.175.522)	0
Other cash flows from investing activities		0	(3.408.901)
<b>Cash flows from investing activities</b>		<b>(123.167.464)</b>	<b>(18.924.593)</b>
Loans raised		89.429.836	15.979.969
Instalments on loans etc		(15.295.154)	0
Incurrence of debt to associates		(16.995.839)	(2.244.413)
Dividend paid		(13.626.050)	(9.521.500)
Dividend from associates		7.814.940	8.209.271
Other cash flows from financing activities		0	895.339
<b>Cash flows from financing activities</b>		<b>51.327.733</b>	<b>13.318.666</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>(16.768.214)</b>	<b>8.406.059</b>
Cash and cash equivalents beginning of year		(32.034.378)	(40.440.437)
<b>Cash and cash equivalents end of year</b>		<b>(48.802.592)</b>	<b>(32.034.378)</b>

## Consolidated cash flow statement for 2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Cash and cash equivalents at year-end are composed of:			
Cash		18.068.698	14.946.519
Short-term debt to banks		<u>(66.871.290)</u>	<u>(46.980.897)</u>
<b>Cash and cash equivalents end of year</b>		<b><u>(48.802.592)</u></b>	<b><u>(32.034.378)</u></b>

## Notes to consolidated financial statements

### 1. Discontinued operations

During 2016, the Company's Management decided to dispose Ejendomsselskabet Industrivej 2 A/S for which reason this company has been presented under discontinued operations.

Loss for the year after tax of Ejendomsselskabet Industrivej 2 A/S is presented in a separate line in the income statement as "Loss from discontinued operations" and amounts to DKK -21k for 2016.

The comparative figures for 2015 have not been adjusted for discontinued operations.

	<b>2016 DKK</b>	<b>2015 DKK</b>
<b>2. Revenue</b>		
Revenue EU	334.946.110	288.311.551
Revenue outside EU	284.391.513	230.731.626
	<b>619.337.623</b>	<b>519.043.177</b>

	<b>2016 DKK</b>	<b>2015 DKK</b>
<b>3. Fees to the auditor appointed by the Annual General Meeting</b>		
Statutory audit services	326.373	121.100
Other assurance engagements	0	470.300
Tax services	25.000	67.124
Other services	105.000	173.580
	<b>456.373</b>	<b>832.104</b>

	<b>2016 DKK</b>	<b>2015 DKK</b>
<b>4. Staff costs</b>		
Wages and salaries	134.586.842	138.557.964
Pension costs	15.170.551	14.792.682
Other social security costs	13.509.447	13.486.719
	<b>163.266.840</b>	<b>166.837.365</b>

Average number of employees	<b>453</b>	<b>460</b>
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	<b>Remunera- tion of manage- ment 2016 DKK</b>	<b>Remunera- tion of manage- ment 2015 DKK</b>
Total amount for management categories	430.809	533.348
	<b>430.809</b>	<b>533.348</b>

## Notes to consolidated financial statements

	<b>2016 DKK</b>	<b>2015 DKK</b>
<b>5. Tax on profit/loss for the year</b>		
Tax on current year taxable income	9.220.868	2.040.265
Change in deferred tax for the year	49.784	1.088.649
Adjustment concerning previous years	(395.651)	20.566
Effect of changed tax rates	(9.706)	7.540
Refund in joint taxation arrangement	(311.182)	0
	<b>8.554.113</b>	<b>3.157.020</b>

	<b>2016 DKK</b>	<b>2015 DKK</b>
<b>6. Proposed distribution of profit/loss</b>		
Ordinary dividend for the financial year	300.000	300.000
Transferred to reserve for net revaluation according to the equity method	0	8.615.983
Retained earnings	34.702.417	(2.187.249)
Minority interests' share of profit/loss	12.768.887	9.777.363
	<b>47.771.304</b>	<b>16.506.097</b>

	<b>Completed develop- ment projects DKK</b>	<b>Acquired intangible assets DKK</b>	<b>Goodwill DKK</b>	<b>Develop- ment projects in progress DKK</b>
<b>7. Intangible assets</b>				
Cost beginning of year	30.959.745	13.550.325	19.036.978	0
Exchange rate adjustments	(34.457)	(22.375)	0	0
Transfers	(931.414)	0	0	2.889.531
Additions	5.428.000	229.970	23.405.125	2.528.309
Disposals	0	(24.296)	0	(2.326.958)
<b>Cost end of year</b>	<b>35.421.874</b>	<b>13.733.624</b>	<b>42.442.103</b>	<b>3.090.882</b>
Amortisation and impairment losses beginning of year	(16.144.933)	(8.191.352)	(14.649.408)	0
Exchange rate adjustments	11.934	7.011	0	0
Transfers	(1.958.117)	0	0	0
Amortisation for the year	(5.001.726)	(1.749.584)	(2.849.654)	0
Reversal regarding disposals	0	18.958	0	0
<b>Amortisation and impairment losses end of year</b>	<b>(23.092.842)</b>	<b>(9.914.967)</b>	<b>(17.499.062)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>12.329.032</b>	<b>3.818.657</b>	<b>24.943.041</b>	<b>3.090.882</b>

## Notes to consolidated financial statements

### Development projects in progress

Development projects in progress comprise SKIOLD's range of products. The costs consist, in all material respects, of costs relating to payroll and direct costs registered through the project ledger in the SKIOLD A/S ERP system. The carrying amount of development projects in progress amounts to DKK 3,091k at 31 December 2016. The projects in progress are expected to be completed within the next two years. Management expects additional costs of approx. DKK 3,500k relating to the projects in progress before they can be completed.

### Completed development projects

Completed development projects comprise milling components, pig house solutions, grain handling equipment, software etc. The projects are completed on a continuous basis and are amortised over a maximum period of 5 years.

The individual development projects consist of products included as components or in a project for which reason there is no calculation of contribution margin per development project. Contribution margins, however, are calculated per product line, which are all satisfactory and contribute to supporting Management's decision not to amortise completed development projects.

### Impairment testing of development projects

In 2016, Management made an impairment test of the carrying amount of the development projects. It is assessed that the recoverable amount by way of value in use exceeds the carrying amount. The value in use is calculated based on estimated earnings on the basis of expectations for the coming years.

## Notes to consolidated financial statements

	Land and buildings DKK	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improve- ments DKK
<b>8. Property, plant and equipment</b>				
Cost beginning of year	160.360.609	64.554.224	13.359.476	470.182
Addition through business combinations etc	0	295.512	0	0
Disposals on divestments etc	(12.909.684)	0	0	0
Exchange rate adjustments	(634.087)	(733.193)	(83.112)	0
Transfers	0	11.710.541	78.988	0
Additions	7.699.148	805.911	996.059	0
Disposals	0	(274.574)	(708.133)	0
<b>Cost end of year</b>	<b>154.515.986</b>	<b>76.358.421</b>	<b>13.643.278</b>	<b>470.182</b>
Revaluations beginning of year	23.782.065	0	0	0
Reversal regarding disposals	2.046.860	0	0	0
<b>Revaluations end of year</b>	<b>25.828.925</b>	<b>0</b>	<b>0</b>	<b>0</b>
Depreciation and impairment losses beginning of the year	(61.511.521)	(49.996.563)	(11.215.408)	(231.629)
Exchange rate adjustments	218.407	359.360	69.466	0
Transfers	0	(11.710.541)	(78.988)	0
Depreciation for the year	(3.511.598)	(3.393.804)	(810.031)	(52.786)
Reversal regarding disposals	7.203.682	252.596	654.567	0
<b>Depreciation and impairment losses end of the year</b>	<b>(57.601.030)</b>	<b>(64.488.952)</b>	<b>(11.380.394)</b>	<b>(284.415)</b>
<b>Carrying amount end of year</b>	<b>122.743.881</b>	<b>11.869.469</b>	<b>2.262.884</b>	<b>185.767</b>
Carrying amount if asset had not been revalued	<b>110.285.423</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Notes to consolidated financial statements

	Investments in associates DKK	Receivables from associates DKK	Other investments DKK	Deposits DKK
<b>9. Fixed asset investments</b>				
Cost beginning of year	32.155.791	33.242.873	38.654.994	5.900
Transfers	0	0	0	199.500
Additions	0	16.995.838	293.000	522.568
Disposals	0	0	(1.586.000)	0
<b>Cost end of year</b>	<b>32.155.791</b>	<b>50.238.711</b>	<b>37.361.994</b>	<b>727.968</b>
Revaluations beginning of year	8.358.107	0	(832.874)	0
Exchange rate adjustments	(244.064)	0	0	0
Adjustments on equity	1.247.069	0	0	0
Amortisation of goodwill	(83.883)	0	0	0
Share of profit/loss for the year	17.178.279	0	0	0
Dividend	(3.665.120)	0	0	0
Revaluations for the year	0	0	3.985.112	0
<b>Revaluations end of year</b>	<b>22.790.388</b>	<b>0</b>	<b>3.152.238</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>54.946.179</b>	<b>50.238.711</b>	<b>40.514.232</b>	<b>727.968</b>

## Notes to consolidated financial statements

	<b>Other receivables DKK</b>
<b>9. Fixed asset investments</b>	
Cost beginning of year	0
Transfers	4.505.495
Additions	10.000.000
Disposals	0
<b>Cost end of year</b>	<b>14.505.495</b>
Revaluations beginning of year	0
Exchange rate adjustments	0
Adjustments on equity	0
Amortisation of goodwill	0
Share of profit/loss for the year	0
Dividend	0
Revaluations for the year	0
<b>Revaluations end of year</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>14.505.495</b>

	<b>Equity inte- rest %</b>
<b>10. Associates</b>	
Graintec A/S	37,5
Graintec Holding ApS	33,3
Engsko A/S	42,5
Danagri 3S Ltd.	33,3
DUI Holding A/S	33,3
Fortin Madrejon A/S	35,7
Scandinavian Farms Invest A/S	20,0
Wohnen am See Zerndorf GmbH	22,5
SKIOLD VMS Ltd.	50,0

SKIOLD VMS Ltd. is an associate of SKIOLD A/S.



## Notes to consolidated financial statements

	<b>2016 DKK</b>	<b>2015 DKK</b>
<b>11. Contract work in progress</b>		
Contract work in progress	2.753.696	910.000
Progress billings regarding contract work in progress	(2.386.000)	(13.619.953)
Transferred to liabilities other than provisions	2.692.000	15.139.000
	<b>3.059.696</b>	<b>2.429.047</b>

### 12. Deferred tax

Provision for deferred tax or tax assets comprises intangible and tangible fixed assets, current investment, inventories, receivables, provisions and tax losses carried forward.

Deferred tax asset is recognized as a result of the management' expectation that the tax loss can be used within a short period of time.

### 13. Other receivables

Of the total receivables, an amount of DKK 0 falls due for payment more than one year after the balance sheet date (2015: DKK 6,505k).

### 14. Prepayments

Prepayments comprise incurred cost relating to subsequent financial year. Prepayments is prepaid insurance and other prepaid costs.

	<b>2016 DKK</b>
<b>15. Deferred tax</b>	
<b>Changes during the year</b>	
Beginning of year	3.602.604
Recognised in the income statement	(1.260.498)
<b>End of year</b>	<b>2.342.106</b>

### 16. Other provisions

Other provisions comprise anticipated cost of non-recourse guarantee commitments, loss on contract work in progress etc.

## Notes to consolidated financial statements

	Instalments within 12 months 2016 DKK	Instalments within 12 months 2015 DKK	Instalments beyond 12 months 2016 DKK	Outstanding after 5 years DKK
<b>17. Liabilities other than provisions</b>				
Mortgage debts	5.589.703	2.465.471	89.017.358	75.252.362
Bank loans	0	3.803.565	6.054.242	0
Deposits	0	0	1.356.910	0
Other payables	7.000.000	3.047.805	84.841.420	47.429.839
	<b>12.589.703</b>	<b>9.316.841</b>	<b>181.269.930</b>	<b>122.682.201</b>

### 18. Short-term deferred income

Short-term deferred income comprises received income for recognition in subsequent financial years.

	2016 DKK	2015 DKK
<b>19. Change in working capital</b>		
Increase/decrease in inventories	(2.505.337)	(11.481.440)
Increase/decrease in receivables	(14.477.680)	(13.762.457)
Increase/decrease in trade payables etc	6.558.886	12.941.523
Other changes	30.136	0
	<b>(10.393.995)</b>	<b>(12.302.374)</b>

### 20. Unrecognised rental and lease commitments

The group has unrecognised commitments from rental of land and buildings. The rental agreement is interminable until 1. January 2025, 1. May 2022 and 1. July 2027. The unrecognised rental obligations constitutes DKK 9,6 mio. of which DKK 3,5 mio. is intercompany.

The group has unrecognised operational lease agreement. The unrecognised lease obligations constitutes DKK 6,3 mio.

### 21. Mortgages and securities

Mortgage debt is secured by way of mortgage on properties. The mortgage also comprises the plant and machinery deemed part of the property.

Group enterprises has provided a business charge of DKK 1,575k secured on certain tools, equipment, machinery, goodwill and lease rights as security for bank loans. The carrying amount of the secured assets amount to DKK 7,177k.

The Group has provided security for bank loans of DKK 1,739k on certain shares. The carrying amount of the shares amount to DKK 1,776k.

## Notes to consolidated financial statements

Bank loans comprising of DKK 44.6 mio. are secured by mortgage in shares recognised as other investments. The carrying amount of the shares amount to DKK 33,5 mio.

Bank loans are also secured by mortgage in a portfolio of shares in group enterprises and associated companies. The carrying amount of the shares amount to DKK 174,6 mio.

Bank loans is also secured by way of mortgage on properties, the mortgage is limited to carrying amount of DKK 43 mio. The mortgage also comprises the plant and machinery deemed part of the property.

Further more bank loans are secured by mortgage on other receivables recognised at DKK 4,5 mio.

As security for Bank Loans in the associated company Engsko A/S, the group have as collateral, supplied security in stocks. There are no bank loans in Engsko A/S at the balance sheet day.

The group has towards financial institutions supplied guarantees for a part of bank engagements with subsidiary and associated companies for an amount of up the DKK 50 mio. The actual guarantee comprises DKK 47,2 mio. at the balance day.

The group has issued a letter of subordination concerning a receivable from associates. The carrying amount of the receivable is DKK 21,3 mio. at the balance sheet date.

### 22. Transactions with related parties

The annual report discloses transactions with related parties that are not conducted on market terms. All transactions were made on terms equivalent to arm's length principles.

	<b>Registered in</b>	<b>Corpo- rate form</b>	<b>Equity inte- rest %</b>
<b>23. Subsidiaries</b>			
SKIOLD Holding ApS	Hjørring	ApS	100,0
DK-Tec A/S	Nyborg	A/S	100,0
SKIOLD A/S	Frederikshavn	A/S	90,0
SKIOLD France S.A.S.	Pontivy, France	S.A.S	90,0
SKIOLD Datamix AB	Ängelholm, Sweden	AB	81,0
LLC SKIOLD Sp.z.o.o.	Moscow, Russia	Sp.z.o.o	90,0
SKIOLD BL Sp.z.o.o.	Kutno, Poland	Sp.z.o.o	90,0
SKIOLD Quingdao Machinery Co. Ltd.	Quingdao, China	Ltd.	88,2
SKIOLD Ukrain LLC	Cherkasy, Ukraine	LLC	90,0
SKIOLD Bemvig SL	Barcelona, Spain	SL	45,0
SKIOLD GmbH	Fockbek, Germany	GmbH	90,0

## Parent income statement for 2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Revenue	1	5.318.326	5.188.150
Other operating income		535.015	475.894
Other external expenses	2	(3.130.450)	(3.277.441)
<b>Gross profit/loss</b>		<b>2.722.891</b>	<b>2.386.603</b>
Staff costs	3	(1.550.077)	(1.512.072)
Depreciation, amortisation and impairment losses		(1.328.443)	(1.401.125)
<b>Operating profit/loss</b>		<b>(155.629)</b>	<b>(526.594)</b>
Income from investments in group enterprises		22.911.482	2.977.868
Income from investments in associates		13.862.184	6.040.270
Income from other fixed assets investments		1.820.152	678.308
Other financial income	4	1.395.988	2.087.315
Impairment of financial assets		(3.288.221)	(3.019.603)
Other financial expenses	5	(2.024.819)	(1.885.707)
<b>Profit/loss before tax</b>		<b>34.521.137</b>	<b>6.351.857</b>
Tax on profit/loss for the year	6	481.280	376.877
<b>Profit/loss for the year</b>	7	<b>35.002.417</b>	<b>6.728.734</b>

## Parent balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Land and buildings		80.986.786	82.315.229
Other fixtures and fittings, tools and equipment		47.700	47.700
<b>Property, plant and equipment</b>	<b>8</b>	<b>81.034.486</b>	<b>82.362.929</b>
Investments in group enterprises		157.287.999	52.786.318
Investments in associates		44.492.662	31.657.221
Receivables from associates		50.238.711	33.242.872
Other investments		1.258.600	3.323.000
Other receivables		4.505.495	0
<b>Fixed asset investments</b>	<b>9</b>	<b>257.783.467</b>	<b>121.009.411</b>
<b>Fixed assets</b>		<b>338.817.953</b>	<b>203.372.340</b>
Trade receivables		14.134	0
Receivables from group enterprises		3.049.211	4.169.106
Receivables from associates		227.620	541.462
Deferred tax	10	321.715	151.617
Other receivables	11	640.510	6.676.735
Income tax receivable		0	979.692
Joint taxation contribution receivable		6.361.941	259.637
Prepayments	12	583	15.137
<b>Receivables</b>		<b>10.615.714</b>	<b>12.793.386</b>
Other investments		0	627.460
<b>Other investments</b>		<b>0</b>	<b>627.460</b>
<b>Cash</b>		<b>22.669</b>	<b>0</b>
<b>Current assets</b>		<b>10.638.383</b>	<b>13.420.846</b>
<b>Assets</b>		<b>349.456.336</b>	<b>216.793.186</b>

## Parent balance sheet at 31.12.2016

	<b>Notes</b>	<b>2016 DKK</b>	<b>2015 DKK</b>
Contributed capital	13	200.000	200.000
Reserve for net revaluation according to the equity method		2.668.582	0
Retained earnings		145.559.187	113.037.275
Proposed dividend		300.000	300.000
<b>Equity</b>		<b>148.727.769</b>	<b>113.537.275</b>
Mortgage debts		53.500.794	53.481.786
Deposits		1.356.910	1.111.083
Other payables		84.429.839	6.000.000
<b>Non-current liabilities other than provisions</b>	14	<b>139.287.543</b>	<b>60.592.869</b>
Current portion of long-term liabilities other than provisions	14	7.184.717	3.310.821
Bank loans		44.627.545	35.133.744
Prepayments received from customers		938.641	821.221
Trade payables		96.946	169.854
Payables to group enterprises		0	24.983
Income tax payable		6.906.231	0
Joint taxation contribution payable		254.416	2.497.338
Other payables		1.432.528	623.781
Deferred income	15	0	81.300
<b>Current liabilities other than provisions</b>		<b>61.441.024</b>	<b>42.663.042</b>
<b>Liabilities other than provisions</b>		<b>200.728.567</b>	<b>103.255.911</b>
<b>Equity and liabilities</b>		<b>349.456.336</b>	<b>216.793.186</b>
Contingent liabilities	16		
Mortgages and securities	17		
Related parties with controlling interest	18		
Transactions with related parties	19		

## Parent statement of changes in equity for 2016

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Proposed dividend DKK
Equity beginning of year	200.000	0	113.037.275	300.000
Ordinary dividend paid	0	0	0	(300.000)
Exchange rate adjustments	0	0	(758.991)	0
Other equity postings	0	0	1.247.068	0
Transfer to reserves	0	2.668.582	(2.668.582)	0
Profit/loss for the year	0	0	34.702.417	300.000
<b>Equity end of year</b>	<b>200.000</b>	<b>2.668.582</b>	<b>145.559.187</b>	<b>300.000</b>
				<b>Total DKK</b>
Equity beginning of year				113.537.275
Ordinary dividend paid				(300.000)
Exchange rate adjustments				(758.991)
Other equity postings				1.247.068
Transfer to reserves				0
Profit/loss for the year				35.002.417
<b>Equity end of year</b>				<b>148.727.769</b>

## Notes to parent financial statements

	<b>2016 DKK</b>	<b>2015 DKK</b>
<b>1. Revenue</b>		
Revenue EU	5.318.326	5.188.150
	<b>5.318.326</b>	<b>5.188.150</b>

### 2. Other external expenses

#### Fees to the auditor appointed by the annual general meeting

See consolidated financial statements.

	<b>2016 DKK</b>	<b>2015 DKK</b>
<b>3. Staff costs</b>		
Wages and salaries	1.347.310	1.309.092
Pension costs	191.455	190.260
Other social security costs	11.312	12.720
	<b>1.550.077</b>	<b>1.512.072</b>
 Average number of employees	 <b>3</b>	 <b>3</b>

	<b>2016 DKK</b>	<b>2015 DKK</b>
<b>4. Other financial income</b>		
Financial income arising from group enterprises	120.288	138.729
Interest income	1.078.178	1.948.586
Exchange rate adjustments	197.522	0
	<b>1.395.988</b>	<b>2.087.315</b>

	<b>2016 DKK</b>	<b>2015 DKK</b>
<b>5. Other financial expenses</b>		
Financial expenses from group enterprises	28.164	270.117
Interest expenses	1.845.176	1.615.590
Fair value adjustments	93.160	0
Other financial expenses	58.319	0
	<b>2.024.819</b>	<b>1.885.707</b>



## Notes to parent financial statements

	<b>2016 DKK</b>	<b>2015 DKK</b>
<b>6. Tax on profit/loss for the year</b>		
Tax on current year taxable income	0	(385.666)
Change in deferred tax for the year	(170.098)	(125)
Effect of changed tax rates	0	8.914
Refund in joint taxation arrangement	(311.182)	0
	<b>(481.280)</b>	<b>(376.877)</b>
	<b>2016 DKK</b>	<b>2015 DKK</b>
<b>7. Proposed distribution of profit/loss</b>		
Ordinary dividend for the financial year	300.000	300.000
Transferred to reserve for net revaluation according to the equity method	0	9.648.138
Retained earnings	34.702.417	(3.219.404)
	<b>35.002.417</b>	<b>6.728.734</b>
	<b>Land and buildings DKK</b>	<b>Other fixtures and fittings, tools and equipment DKK</b>
<b>8. Property, plant and equipment</b>		
Cost beginning of year	85.574.966	112.200
<b>Cost end of year</b>	<b>85.574.966</b>	<b>112.200</b>
Depreciation and impairment losses beginning of the year	(3.259.737)	(64.500)
Depreciation for the year	(1.328.443)	0
<b>Depreciation and impairment losses end of the year</b>	<b>(4.588.180)</b>	<b>(64.500)</b>
<b>Carrying amount end of year</b>	<b>80.986.786</b>	<b>47.700</b>

## Notes to parent financial statements

	Investments in group enterprises DKK	Investments in associates DKK	Receivables from associates DKK	Other investments DKK
<b>9. Fixed asset investments</b>				
Cost beginning of year	85.610.705	23.071.535	33.242.872	3.162.300
Transfers	0	0	0	0
Additions	90.429.839	0	16.995.839	0
Disposals	0	0	0	(1.293.000)
<b>Cost end of year</b>	<b>176.040.544</b>	<b>23.071.535</b>	<b>50.238.711</b>	<b>1.869.300</b>
Revaluations beginning of year	0	8.585.686	0	160.700
Exchange rate adjustments	0	(608.691)	0	0
Adjustments on equity	0	1.247.069	0	0
Amortisation of goodwill	0	(83.883)	0	0
Share of profit/loss for the year	0	13.946.066	0	0
Dividend	0	(1.665.120)	0	0
Revaluations for the year	0	0	0	(771.400)
<b>Revaluations end of year</b>	<b>0</b>	<b>21.421.127</b>	<b>0</b>	<b>(610.700)</b>
Impairment losses beginning of year	(32.824.387)	0	0	0
Exchange rate adjustments	(150.300)	0	0	0
Amortisation of goodwill	(2.412.243)	0	0	0
Share of profit/loss for the year	25.323.725	0	0	0
Dividend	(8.400.000)	0	0	0
Investments with negative equity depreciated over receivables	(289.340)	0	0	0
<b>Impairment losses end of year</b>	<b>(18.752.545)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>157.287.999</b>	<b>44.492.662</b>	<b>50.238.711</b>	<b>1.258.600</b>
Goodwill or negative goodwill recognized during the financial year	<b>24.246.840</b>	<b>615.146</b>	-	-

## Notes to parent financial statements

	<b>Other receivables DKK</b>
<b>9. Fixed asset investments</b>	
Cost beginning of year	0
Transfers	4.505.495
Additions	0
Disposals	0
<b>Cost end of year</b>	<b>4.505.495</b>
Revaluations beginning of year	0
Exchange rate adjustments	0
Adjustments on equity	0
Amortisation of goodwill	0
Share of profit/loss for the year	0
Dividend	0
Revaluations for the year	0
<b>Revaluations end of year</b>	<b>0</b>
Impairment losses beginning of year	0
Exchange rate adjustments	0
Amortisation of goodwill	0
Share of profit/loss for the year	0
Dividend	0
Investments with negative equity depreciated over receivables	0
<b>Impairment losses end of year</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>4.505.495</b>
Goodwill or negative goodwill recognized during the financial year	-

	<b>Registered in</b>	<b>Corpo- rate form</b>	<b>Equity inte- rest %</b>
Investments in associates comprise:			
Graintec A/S	Vejle	A/S	37,5
Graintec Holding ApS	Vejle	ApS	33,3
Engsko A/S	Randers	A/S	42,5
Danagri 3S Ltd.	Shropshire, England	Ltd.	33,3
DUI Holding A/S	Sønderborg	A/S	33,3
Fortin Madrejon A/S	Hjørring	A/S	35,7
Scandinavian Farms Invest A/S	Sønderborg	A/S	20,0

## Notes to parent financial statements

	<b>2016 DKK</b>
<b>10. Deferred tax</b>	
<b>Changes during the year</b>	
Beginning of year	151.617
Recognised in the income statement	170.098
<b>End of year</b>	<b>321.715</b>

Provision for deferred tax or tax assets comprises tangible fixed assets, current investment and tax losses carried forward.

Deferred tax asset is recognized as a result of the management' expectation that the tax loss can be used by the company itself or by a jointly taxed company within a short period of time.

### 11. Other receivables

Of the total receivables, an amount of DKK 0 falls due for payment more than one year after the balance sheet date (2015: DKK 6,505k).

### 12. Prepayments

Prepayments comprise incurred cost relating to subsequent financial year. Prepayments is prepaid in-surance and other prepaid costs.

	<b>Number</b>	<b>Par value DKK</b>	<b>Nominal value DKK</b>
<b>13. Contributed capital</b>			
A-shares	56	1000	56.000
B-shares	144	1000	144.000
	<b>200</b>		<b>200.000</b>

	<b>Instalments within 12 months 2016 DKK</b>	<b>Instalments within 12 months 2015 DKK</b>	<b>Instalments beyond 12 months 2016 DKK</b>	<b>Outstanding after 5 years DKK</b>
<b>14. Liabilities other than provisions</b>				
Mortgage debts	184.717	310.821	53.500.794	47.257.362
Deposits	0	0	1.356.910	0
Other payables	7.000.000	3.000.000	84.429.839	47.257.263
	<b>7.184.717</b>	<b>3.310.821</b>	<b>139.287.543</b>	<b>94.514.625</b>

## Notes to parent financial statements

### 15. Deferred income

Short-term deferred income comprises received income for recognition in subsequent financial years.

### 16. Contingent liabilities

The Entity serves as an administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed entities and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

### 17. Mortgages and securities

Mortgage debt is secured by way of mortgage on properties. The mortgage also comprises the plant and machinery deemed part of the property.

Bank loans comprising of DKK 44.6 mio. are secured by mortgage in a portfolio of shares in group enterprises and associated companies. The carrying amount of the shares amount to DKK 174,6 mio.

Bank loans is also secured by way of mortgage on properties, the mortgage is limited to carrying amount of DKK 43 mio. The mortgage also comprises the plant and machinery deemed part of the property.

Further more bank loans are secured by mortgage on other receivables recognised at DKK 4,5 mio.

As security for Bank Loans in the associated company Engsko A/S, Thoraso ApS have as collateral, supplied security in stocks. There are no bank loans in Engsko A/S at the balance sheet day.

Thoraso ApS has towards financial institutes supplied guarantees for a part of bank engagements with subsidiary and associated companies for an amount of up to DKK 53 mio. The actual guarantee comprises DKK 50,2 mio at the balance sheet day.

Thoraso ApS has issued a letter of subordination concerning a receivable from associates. The carrying amount of the receivable is DKK 21,3 mio. at the balance sheet date.

### 18. Related parties with controlling interest

Principal shareholder and managing director Henrik Hougaard, Skaarupgaard 59, Tolne, 9870 Sindal has controlling interest.

### 19. Transactions with related parties

The annual report discloses transactions with related parties that are not conducted on market terms. All transactions were made on terms equivalent to arm's length principles.

## Accounting policies

### Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (big).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

### Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

### Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

### Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' proportionate share of profit or loss is presented as a separate item in Management's proposal for distribution of profit or loss, and their share of subsidiaries' net assets is presented as a separate item in group equity.

## Accounting policies

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

### Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries which are considered part of the total investment in the subsidiary in question are classified directly as equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate of the time of acquisition or the time of any subsequent revaluation or write-down. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

### Income statement

#### Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

## Accounting policies

### Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including rental income and gains from the sale of intangible assets and property, plant and equipment.

### Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

### Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

### Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

### Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

### Other operating expenses

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

### Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

### Income from investments in associates

Income from investments in associates comprises the pro rata share of the individual associates' profit/loss after elimination of internal profits or losses.

### Income from other fixed asset investments

Income from other fixed asset investments comprises gains in the form of interest, dividends, etc on fixed asset investments which are not investments in group enterprises or associates.

### Other financial income from group enterprises

Other financial income from group enterprises comprises interest income etc on receivables from group enterprises.



## Accounting policies

### Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

### Impairment of financial assets

Impairment of financial assets comprises impairment of financial assets which are not measured at fair value on a current basis.

### Financial expenses from group enterprises

Financial expenses from group enterprises comprise interest expenses etc from payables to group enterprises.

### Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

### Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

### Balance sheet

#### Goodwill

Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If it is not possible to estimate the useful life reliably, it is set at 10 years. Useful lives are reassessed on an annual basis. The amortisation periods used are 5 to 10 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

### Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in

## Accounting policies

question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation on property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects, protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. The amortisation periods used are 3-7 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

### Property, plant and equipment

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-manufactured assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs.

Indirect production costs in the form of indirect attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each asset.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings (residual value: 0-50%)	25 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment (residual value: 0-20%)	3-10 years
Leasehold improvements	5 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

## Accounting policies

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

### Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation periods used are 10 years.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

### Investments in associates

Investments in associates are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the associates' equity value plus unamortised goodwill and plus or minus unrealised pro rata intra-group profits and losses.

Associates with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant associate, and it is probable that such obligation is imminent, a provision is recognised that is measured at present of the costs deemed necessary to incur to settle the obligation.

Upon distribution of profit or loss, net revaluation of investments in associates is transferred to Reserve for net revaluation according to the equity method under equity.

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are stratically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation periods used are 10 years.

Investments in associates are written down to the lower of recoverable amount and carrying amount.

## Accounting policies

### Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

### Other investments

Other investments comprise listed securities which are measured at fair value (market price) at the balance sheet date and unlisted equity instruments measured at cost. Unlisted equity instruments are written down to any lower net realisable value.

### Inventories

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Financing costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

### Contract work in progress

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts as well as financing costs are recognised in the income statement as incurred.

### Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

## Accounting policies

### Other investments

Securities recognised under current assets comprise listed securities measured at fair value (market price) at the balance sheet date.

### Cash

Cash comprises cash in hand and bank deposits.

### Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

### Minority interests

Minority interests consist of non-controlling interests' share of equity in subsidiaries not 100% owned by the Parent.

### Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

### Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

If goods are sold on approval, a provision is made for the mark-up on the goods estimated to be returned as well as any expenses related to the returns.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

On acquisition of enterprises and investments in group enterprises, provisions are made for costs relating to restructuring in the acquired enterprise that were decided and published at the acquisition date at the latest.

## Accounting policies

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

### **Mortgage debt**

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

### **Operating leases**

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

### **Other financial liabilities**

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

### **Prepayments received from customers**

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

### **Income tax receivable or payable**

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

### **Deferred income**

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

### **Cash flow statement**

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

## **Accounting policies**

Cash and cash equivalents comprise cash and short-term bank loans.

The cash flow statement has been prepared for the consolidated group figures.