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LINCO FOOD SYSTEMS A/S
VESTERMØLLEVEJ 9, 8380 TRIGE
ANNUAL REPORT
1 JANUARY - 31 DECEMBER 2018

The Annual Report has been presented and
adopted at the Company's Annual General
Meeting on 11 June 2019

Petra Baader

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COMPANY DETAILS

Company	LINCO Food Systems A/S Vestermøllevej 9 8380 Trige
	Telephone: +45 86 23 14 55 Telefax: +45 86 23 14 44 Website: www.lincofood.com E-mail: linco@baader.com
	CVR No.: 19 18 95 11 Established: 8 August 1961 Registered Office: Aarhus Financial Year: 1 January - 31 December
Board of Directors	Petra Baader, chairman Torsten Krausen Robert Focke Dorte Andreasen, elected by employees Tommy Skov Nielsen, elected by employees
Board of Executives	Annette Kleven Claus Østergaard Askjær Jette Nordentoft Hugo Holst Dissing
Auditor	BDO Statsautoriseret revisionsaktieselskab Kolding Åpark 8A, 7. sal 6000 Kolding
General Meeting	The Annual General Meeting is held on 11. juni 2019, at the company's address. 11 June 2019

STATEMENT BY BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

Today the Board of Directors and Board of Executives have discussed and approved the Annual Report of LINCO Food Systems A/S for the financial year 1 January - 31 December 2018.

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 Company's financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018.

The Management's Review includes in our opinion a fair presentation of the matters dealt with in the Review.

We recommend the Annual Report be approved at the Annual General Meeting.

Aarhus, 11 June 2019

Board of Executives

Annette Kleven

Claus Østergaard Askjær

Jette Nordentoft

Hugo Holst Dissing

Board of Directors

Petra Baader
Chairman

Torsten Krausen

Robert Focke

Dorte Andreasen
Elected by employees

Tommy Skov Nielsen
Elected by employees

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of LINCO Food Systems A/S

Opinion

We have audited the Financial Statements of LINCO Food Systems A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company's at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

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 as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

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

Kolding, 11 June 2019

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Lars Kruse
State Authorised Public Accountant
MNE no. mne11677

FINANCIAL HIGHLIGHTS

	2018 DKK '000	2017 DKK '000	2016 DKK '000	2015 DKK '000	2014 DKK '000
Income statement					
Net revenue.....	558.766	732.812	594.576	552.022	489.970
Gross profit/loss.....	56.193	87.559	76.991	84.072	67.650
Operating profit/loss.....	-24.152	6.769	-2.530	5.183	5.896
Financial income and expenses, net.....	-3.303	-2.098	-2.347	-3.222	-2.069
Profit/loss for the year before tax.....	-10.032	19.393	15.505	16.253	27.191
Profit/loss for the year.....	-4.542	17.221	15.413	16.422	25.855
Balance sheet					
Balance sheet total.....	545.040	497.713	467.674	422.981	378.486
Equity.....	214.235	213.508	209.865	196.466	190.755
Invested capital.....	119.389	138.467	98.403	95.013	27.545
Investment in tangible fixed assets.....	-913	-4.782	-3.057	-10.344	-7.186
Average number of full-time employees.....	300	319	307	293	264
Ratios					
Gross margin.....	10,1	11,9	12,9	15,2	13,8
Profit margin.....	-4,3	0,9	-0,4	0,9	1,2
Rate of return.....	-18,7	5,7	-2,6	8,5	12,0
Solvency ratio.....	39,3	42,9	44,9	46,4	50,4
Return on equity.....	-2,1	8,1	7,6	8,5	14,9

The ratios stated in the list of key figures and ratios have been calculated as follows:

Gross margin:	$\frac{\text{Gross profit} \times 100}{\text{Net revenue}}$
Profit margin:	$\frac{\text{Operating profit/loss} \times 100}{\text{Net revenue}}$
Rate of return:	$\frac{\text{Profit/loss on ordinary activities} \times 100}{\text{Average invested capital}}$
Invested capital:	Intangible fixed assets (ex goodwill) + tangible assets + inventories + receivables + other working current assets - trade payables - other provisions - other long and short term working liabilities
Solvency ratio:	$\frac{\text{Equity, at year end} \times 100}{\text{Total equity and liabilities, at year end}}$
Return on equity:	$\frac{\text{Profit after tax} \times 100}{\text{Average equity}}$

The ratios follow in all material respects the recommendations of the Danish Finance Society.

MANAGEMENT'S REVIEW

Principal activities

LINCO Food Systems A/S develops, produces and sells machines and complete plants for slaughtering and processing of poultry as well as weighing and grading equipment, also used in the fish industry as well as other food industries.

Sales, marketing and service in several important markets takes place directly through subsidiaries.

Exceptional matters

The annual report of 2018 has not been affected by unusual circumstances.

Development in activities and financial position

The company experienced a stable turnover in 2018, which is due to improved market conditions in developed markets. A major part of the year 2018 was the higher attention of the after sales market with an increase of the spare part and service turnover.

The net result including the results of equity investments in group companies has been affected by a consolidation strategy. The extra costs of this process have reduced the overall margin for 2018.

Profit/loss for the year compared to future expectations

Despite the loss for the year, which is driven by one-time cost for the consolidation, Linco has a healthy and profitable business.

In 2018, the company shows a loss of DKK -4.5m (a profit of DKK 17.2m in 2017). The result for 2018 would be positive and satisfactory without the impact of the one-time costs of the consolidation.

Significant events after the end of the financial year

No events of material importance for the company's financial position occurred after the end of the financial year.

Special risks

The company is, at this time, engaged in one legal action, provisions have been made in this respect.

Financial risks and currency risks

LINCO Food Systems A/S applies forward exchange transactions to secure receivables and payables in foreign currencies if it is different from EUR. In addition, continuous adjustments are made of net currency positions.

Interest rate exposure

Interest rate risks are limited by means of different securing instruments and interest swaps.

Environmental situation

LINCO Food Systems A/S runs its business with the highest possible respect of environmental matters with regard to own production as well as to the machines sold.

Knowledge resources

The company aims to supply high quality products focusing on operation reliability and a good basis for safe food production. All central components are produced by the company whereas other components are produced by closely related sub suppliers.

Research and development activities

The company pays development expenses concurrently to secure future sales. Major development projects, which meet a number of detailed conditions, are recognized as assets under construction, and amortized in the income statement, when the projects have been completed. Other development projects are expensed in the income statement.

Future expectations

A positive development on important markets compared to the level of 2018 is expected.

MANAGEMENT'S REVIEW

Future expectations (continued)

The company's continued focus on growth, efficiency and adjustment of the organization is expected to help stabilize the earning in the years to come.

The company's foreign branches

The company's activities in the French market are handled through the company's branch in France.

Corporate social responsibility

It is the ambition of the company to show social responsibility in line with its basic values, on the areas environment, social conditions and employee conditions, respect for human rights and anti corruption and bribery. Management is part of all significant decisions on these areas. This is demonstrated in internal as well as external initiatives, though it is not described in an actual CSR policy.

LINCO Food Systems A/S is working determinedly to ensure a safe and healthy working environment, so the environmental and climatic conditions are incorporated in the company's processes.

As a result of the work on social responsibility, LINCO Food Systems A/S focuses on the safety and environment of the work.

Target figures and policies for the underrepresented gender

One out of three board members elected at the general meeting are female and by that, the company meet the target set in the Danish law.

It is the company policy that regardless of gender, race, and religion, all employees are treated equally, in order that everyone has equal opportunities for employment.

The company continues to increase the representation of women in management positions with respect for the industry specific competences needed. The company encourage and support female employees that desires to raise into managerial positions.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2018 DKK	2017 DKK '000
NET REVENUE	1	558.766.315	732.812
Production costs.....	2	-502.573.786	-645.253
GROSS PROFIT/LOSS		56.192.529	87.559
Distribution costs.....	2	-47.766.513	-42.926
Administrative expenses.....	2, 3	-32.472.744	-37.877
OPERATING PROFIT/LOSS		-24.046.728	6.756
Other operating income.....		0	13
Other operating expenses.....		-104.954	0
OPERATING PROFIT/LOSS		-24.151.682	6.769
Result of equity investments in group companies.....		17.422.880	14.722
Financial income.....		14.602	159
Financial expenses.....	4	-3.317.468	-2.257
PROFIT/LOSS BEFORE TAX		-10.031.668	19.393
Tax on profit/loss for the year.....	5	5.489.418	-2.172
PROFIT/LOSS FOR THE YEAR	6	-4.542.250	17.221

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2018 DKK	2017 DKK '000
Development projects completed.....		87.762.353	92.755
Intangible fixed assets acquired.....		4.169.583	0
IT.....		1.198.657	2.063
Development projects in progress.....		70.600.271	60.910
Intangible fixed assets.....	7	163.730.864	155.728
Land and buildings.....		10.894.717	11.671
Production plants and machinery.....		2.492.969	4.071
Other plants, machinery, tools and equipment.....		891.936	1.520
Tangible fixed assets.....	8	14.279.622	17.262
Fixed asset investments.....		149.113.500	136.721
Rent deposit and other receivables.....		10.300.624	11.077
Fixed asset investments.....	9	159.414.124	147.798
FIXED ASSETS.....		337.424.610	320.788
Raw materials and consumables.....		2.910.312	3.030
Work in progress.....		10.123.372	10.704
Finished goods and goods for resale.....		57.485.634	53.759
Prepayments for goods.....		2.835.647	3.602
Inventories.....		73.354.965	71.095
Trade receivables.....		41.813.900	48.030
Contract work in progress.....	10	19.374.559	11.738
Receivables from group enterprises.....		46.559.779	6.766
Other receivables.....		13.778.132	11.059
Receivables corporation tax.....		2.783.117	4.088
Prepayments and accrued income.....	11	4.804.570	9.017
Receivables.....		129.114.057	90.698
Cash and cash equivalents.....		5.146.016	15.132
CURRENT ASSETS.....		207.615.038	176.925
ASSETS.....		545.039.648	497.713

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2018 DKK	2017 DKK '000
Share capital.....	12	10.374.870	10.375
Reserve for net revaluation according to equity-method.....		31.353.844	18.962
Reserve for provision for development costs.....		80.172.643	72.444
Retained profit.....		92.333.788	111.727
EQUITY.....		214.235.145	213.508
Provision for deferred tax.....	13	12.898.856	17.439
Other provisions for liabilities.....	14	2.735.588	4.476
PROVISION FOR LIABILITIES.....		15.634.444	21.915
Mortgage debt.....		4.072.984	5.462
Other liabilities.....		18.637.000	0
Accruals and deferred income.....		1.672.060	676
Lease liabilities.....		100.000	362
Long-term liabilities.....	15	24.482.044	6.500
Short-term portion of long-term liabilities.....	15	1.630.906	1.618
Bank debt.....		71.974.282	66.622
Prepayments received from customers.....	10	76.686.504	31.297
Trade payables.....		64.258.165	92.674
Payables to group enterprises.....		20.242.715	15.580
Other liabilities.....		55.895.443	47.999
Current liabilities.....		290.688.015	255.790
LIABILITIES.....		315.170.059	262.290
EQUITY AND LIABILITIES.....		545.039.648	497.713
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EQUITY

	Share capital	Reserve for net revaluation according to equity- method	Reserve for provision for development costs	Retained profit	Total
Equity at 1 January 2018.....	10.374.870	18.961.513	72.443.761	111.727.013	213.507.157
Foreign exchange adjustments.....		4.999.076		14.684	5.013.760
Derivative financial instruments at fair value.....				256.478	256.478
Carried forward to provision for development costs.....			7.728.882	-7.728.882	
Proposed distribution of profit.....		17.422.880		-21.965.130	-4.542.250
Dividends from subsidiaries.....		-10.029.625		10.029.625	
Equity at 31 December 2018.....	10.374.870	31.353.844	80.172.643	92.333.788	214.235.145

NOTES

	2018 DKK	2017 DKK '000	Note
Net revenue			1
Segment details (geography)			
Net revenue, Denmark.....	3.923.972	27.522	
Net revenue, export.....	554.842.343	705.290	
	558.766.315	732.812	
<p>Due to competitive considerations, the relaxation in art. 96 of the Danish Financial Statements Act has been applied, because it is Management's assessment that it will cause significant damage to the company to disclose the segment details in the annual report.</p> <p>The market in which the company has activities, is characterised by strong competition between 3-4 competitors and the segment details can result in a shift in the competitive interrelationship between the competitors.</p>			
Staff costs			2
Average number of employees 300 (2017: 319)			
Wages and salaries.....	159.672.519	169.676	
Pensions.....	11.114.267	11.863	
Social security costs.....	908.279	1.430	
	171.695.065	182.969	
Remuneration of management.....	5.678.794	6.531	
Remuneration of board of directors.....	10.000	10	
	5.688.794	6.541	
Fee to statutory auditors			3
Total fee:			
BDO.....	544.300	757	
	544.300	757	
Specification of fee:			
Statutory audit.....	436.500	436	
Tax consultancy.....	26.500	27	
Other services.....	81.300	294	
	544.300	757	
Financial expenses			4
Group enterprises.....	0	58	
Other interest expenses.....	3.317.468	2.199	
	3.317.468	2.257	

NOTES

	2018 DKK	2017 DKK '000	Note
Tax on profit/loss for the year			5
Calculated tax on taxable income of the year.....	-1.773.182	-2.987	
Adjustment of tax for previous years.....	36.392	0	
Adjustment of deferred tax.....	-3.752.628	5.159	
	-5.489.418	2.172	
 Proposed distribution of profit			6
Allocation to reserve for net revaluation according to equity-method.....	17.422.880	7.600	
Retained earnings.....	-21.965.130	9.621	
	-4.542.250	17.221	
 Intangible fixed assets			7
	Development projects completed	Intangible fixed assets acquired	
Cost at 1 January 2018.....	113.712.048	0	
Additions.....	5.619.289	4.389.036	
Cost at 31 December 2018.....	119.331.337	4.389.036	
Amortisation at 1 January 2018.....	20.956.675	0	
Depreciation for the year.....	10.612.309	219.453	
Depreciation at 31 December 2018.....	31.568.984	219.453	
Carrying amount at 31 December 2018.....	87.762.353	4.169.583	
	IT	Development projects in progress	
Cost at 1 January 2018.....	24.821.272	60.910.355	
Additions.....	33.219	9.689.916	
Cost at 31 December 2018.....	24.854.491	70.600.271	
Amortisation at 1 January 2018.....	22.757.902	0	
Depreciation for the year.....	897.932	0	
Depreciation at 31 December 2018.....	23.655.834	0	
Carrying amount at 31 December 2018.....	1.198.657	70.600.271	

The company's development projects relate to the development of new production machines and optimization of the interaction between the company's products in the production line. The development of the individual projects is progressing as planned and is expected to be completed over the next 1-4 years. Market research shows a demand for the new products and there are very few competitors in the market for this type of products.

NOTES

Note

Tangible fixed assets

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	Land and buildings	Production plants and machinery	Other plants, machinery, tools and equipment
Cost at 1 January 2018.....	64.532.854	43.235.753	9.981.366
Additions.....	175.133	733.957	4.256
Disposals.....	0	-1.823.159	0
Cost at 31 December 2018.....	64.707.987	42.146.551	9.985.622
Depreciation and impairment losses at 1 January 2018.....	52.862.181	39.164.262	8.461.673
Reversal of depreciation of assets disposed of..	0	-1.823.159	0
Depreciation for the year.....	951.089	2.312.479	632.013
Depreciation and impairment losses at 31 December 2018.....	53.813.270	39.653.582	9.093.686
Carrying amount at 31 December 2018.....	10.894.717	2.492.969	891.936

Value of recognised assets not owned by the company: 281.498 DKK

Fixed asset investments

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	Fixed asset investments	Rent deposit and other receivables
Cost at 1 January 2018.....	117.759.656	11.077.667
Disposals.....	0	-777.043
Cost at 31 December 2018.....	117.759.656	10.300.624
Revaluation at 1 January 2018.....	18.961.513	0
Exchange adjustment.....	4.999.076	0
Dividend.....	-10.029.625	0
Revaluation and impairment losses for the year.....	17.422.880	0
Revaluation at 31 December 2018.....	31.353.844	0
Carrying amount at 31 December 2018.....	149.113.500	10.300.624

Investments in subsidiaries

Name and registered office	Ownership
LINCO Food Systems S.A., Spain.....	100 %
LINCO Food Systems Ltda., Brazil.....	100 %
Lindholst Asia SDN. BHD., Malaysia.....	100 %
LINCO Food Systems Ltda., Chile.....	100 %
LINCO Food Systems B.V., Netherlands.....	100 %
Baader LINCO Inc., USA.....	100 %
Baader Asia PTE Ltd., Singapore.....	100 %
BFPT Beijing Co. Ltd., China.....	100 %

NOTES

	2018 DKK	2017 DKK '000	Note
Contract work in progress			10
Contract work in progress.....	203.667.792	342.738	
Invoiced an account.....	-260.979.737	-362.297	
Contract work in progress, net.....	-57.311.945	-19.559	
Recognized as:			
Contract work in progress (assets).....	19.374.559	11.738	
Prepayments from customers (liabilities).....	-76.686.504	-31.297	
	-57.311.945	-19.559	
Prepayments and accrued income			11
Prepayments and accrued income relates to prepaid contingencies and license fees as well as prepaid expenses regarding future financial years.			
	2018 DKK	2017 DKK '000	
Share capital			12
Specification of the share capital:			
A-shares, 2.800 in the denomination of 1.221 DKK.....	3.417.604	3.418	
B-shares, 5.700 in the denomination of 1.221 DKK.....	6.957.266	6.957	
	10.374.870	10.375	
Provision for deferred tax			13
Provision for deferred tax relates to differences between the carrying amount and the tax value of intangible fixed assets and tangible fixed assets, including recognised finance leases as well as accrued expenses. The provision also includes tax losses carried forward.			
	2018 DKK	2017 DKK '000	
Deferred tax at 1 January 2018.....	17.439.284	12.280	
Deferred tax for the year, Income Statement.....	-3.752.628	5.159	
Adjustment previous years.....	-787.800	0	
Provision for deferred tax 31 December 2018.....	12.898.856	17.439	
Other provisions for liabilities			14
0-1 year.....	2.735.588	4.476	
Other provisions for liabilities comprise liabilities of ordinary warranty on the Company's products.			

NOTES

Note

Long-term liabilities

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	31/12 2018 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2017 total liabilities	Current portion at the beginning of the year
Mortgage debt.....	5.441.446	1.368.462	0	6.825.552	1.363.649
Other liabilities.....	18.637.000	0	0	0	0
Accruals and deferred income..	1.672.060	0	0	676.056	0
Lease liabilities.....	362.444	262.444	0	617.161	254.717
	26.112.950	1.630.906	0	8.118.769	1.618.366

Contingencies etc.

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The Company has provided bank guarantees totalling DKK ('000) 20,539 relating to payment guarantees and general performance guarantees.

The Company is subject to recapture relating to used losses from foreign subsidiaries until 2004.

Operating lease contracts on machinery and cars have been entered with a total lease commitment during the residual term of 1 to 58 months of DKK ('000) 655.

Joint liabilities

The company is jointly and severally liable together with the parent company and the other group companies in the jointly taxed group for tax on the group's jointly taxed income and for certain possible withholding taxes such as dividend tax and royalty tax.

Tax payable of the group's jointly taxed income is stated in the annual report of Baader Poultry A/S, which serves as management company for the joint taxation.

Charges and securities

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Debt to mortgage provider, DKK ('000) 6,826 is secured by mortgages totalling DKK ('000) 22,001 comprising land, and buildings with the booked value of DKK ('000) 10,895 as of 31 December 2018. The mortgage also comprises the plant and machinery deemed part of the properties.

As security for debt to financial institutions, the company has issued mortgage deeds totalling DKK ('000) 24,132 and an all-moneys mortgage of DKK ('000) 4,000 as mortgage on the land and buildings mentioned above.

Furthermore the company has issued an all-moneys mortgage (floating charge) of DKK ('000) 36,330 as security for debt to financial institutions. The security comprises inventories and trade receivables with at booked value totalling DKK ('000) 114,154.

NOTES**Note****Related parties****18**

The company's related parties comprises the following:

Controlling interest

Chairman of the board, through the parent company Baader Poultry A/S.

Transactions with related parties

The company has had transactions with its subsidiaries in the year.

The company did not carry out any substantial transactions that were not concluded on market conditions.

Derivative financial instruments**19**

The company has entered into an interest rate swap, which expires in 2022. The contract fixes the interest rate on the mortgage debt.

Consolidated financial statements**20**

The company is included in the consolidated financial statements of Baader Poultry A/S, Aarhus, CVR number 30 71 48 30.

ACCOUNTING POLICIES

The Annual Report of LINCO Food Systems A/S for 2018 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, large enterprise.

The Annual Report is prepared consistently with the accounting principles applied last year.

Consolidated financial statements

Consolidated financial statements have not been prepared because the group fulfils the exemption provisions of section 112 of the Danish Financial Statements Act on sub-groups. The company is included in the consolidated financial statements of Baader Poultry A/S, Aarhus, CVR number 30 71 48 30.

INCOME STATEMENT

Net revenue

The net revenue from sale of merchandise and finished goods is recognised in the income statement if supply and risk transfer to purchaser has taken place before the end of the year. Net revenues is recognised exclusive of VAT, duties and less discounts related to the sale.

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 degree of completion method).

Sale of Services is recognised in the income statement if the service has been provided before the end of the year.

Production costs

Production costs comprise costs, including wages and salaries and write-off, incurred to achieve the net revenue for the year.

Production costs also recognise amortisation of capitalised development as well as research costs and the development costs that do not fulfil the criteria for capitalisation.

Furthermore write-down is recognised in connection with expected losses on project contracts.

Distribution costs

The costs incurred for distribution of goods sold during the year and for sales campaigns carried out during the year are recognised in distribution costs. The costs of the sales personnel, advertising and exhibition costs and amortisation are also recognised in distribution costs.

Administrative expenses

Administrative expenses recognise costs incurred during the year regarding management and administration of the group, inclusive of costs relating to the administrative staff, executives, office premises, office expenses etc and related amortisation.

Other operating income

Other operating income includes items of a secondary nature in relation to the enterprises' principal activities, including profit from sale of intangible and tangible fixed assets.

Other operating expenses

Other operating expenses include items of a secondary nature in relation to the enterprises' principal activities, including loss from sale of intangible and tangible fixed assets.

Investments in subsidiaries

The income statement of the parent company recognises the proportional share of the results of each subsidiary after full elimination of intercompany profits/losses and deduction of amortisation of goodwill.

ACCOUNTING POLICIES

Financial income and expenses

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

Tax

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

BALANCE SHEET

Intangible fixed assets

Patents and licences are measured at the lower of cost less accumulated amortisation or the recoverable amount. Patents are amortised over the residual patent term and licences are amortised over the term of the agreement.

Development costs comprise costs, including wages and salaries, which directly or indirectly can be related to the company's development activities and which fulfil the criteria for recognition.

Capitalised development costs are measured at the lower of cost less accumulated amortisation or recoverable amount.

Capitalised development costs are amortised on a straight-line basis over the estimated useful life after completion of the development work. The amortisation period is normally 5 years and does not exceed 20 years.

Capitalised IT-projects are measured at the lower of cost less accumulated amortisation or recoverable amount.

Capitalised IT-projects are depreciated on a straight-line basis over the estimated useful life. The useful life is normally 3-5 years.

Intangible fixed assets are generally written down to the lower of recoverable value and carrying amount.

Tangible fixed assets

Land and buildings, production plant and machinery, other plants, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Buildings.....	10-25 years	0 %
Production plant and machinery.....	5 years	0-30 %
Other plants, fixtures and equipment.....	3-5 years	0-30 %

ACCOUNTING POLICIES

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Lease contracts

Lease contracts relating to tangible fixed assets where the company bears all material risks and benefits attached to the ownership (finance lease) are recognised as assets in the balance sheet. The assets are at the initial recognition measured at calculated cost equal to the lower of fair value and present value of the future lease payments. The internal interest rate of the lease contract is used as discounting factor or an approximate value when calculating the present value. Finance lease assets are depreciated similarly to the company's other tangible fixed assets.

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

All other lease contracts are considered to be operating leases. Payments related to operating leases and other rental agreements are recognised in the income statement over the term of the contract. The company's total liability relating to operating leases and rental agreements is disclosed as contingencies etc.

Fixed asset investments

Investments in subsidiaries are measured in the company's balance sheet under the equity method.

Investments in subsidiaries are measured in the Balance Sheet at the proportional share of the enterprises' carrying equity value, calculated in accordance with the parent company's accounting policies with deduction or addition of unrealised intercompany profits or losses and with addition or deduction of the residual value of positive or negative goodwill

Acquired enterprises are recognised in the consolidated financial statements under the acquisition method, reassessing all identified assets and liabilities to fair value at the acquisition date. The fair value is calculated based on acquisitions made in an active market, alternatively calculated using generally accepted valuation methods. Upon calculation of the fair value of properties used in the business a discounted cash flow model is applied based on discounted cash flow of future earnings. Operating equipment is recognised at fair value based on an assessor's opinion, built on an overall assessment of the production equipments.

Consolidated goodwill is amortised over the expected useful life determined on the basis of management's experience within the individual lines of business. Consolidated goodwill is amortised on a straight-line basis over the period of amortisation which is estimated to 7-12 years. The period of amortisation is determined based on an assessment of the acquired company's position in the market and earnings profile, and the industry-specific condition.

Net revaluation of investments in subsidiaries and associates is transferred under the equity to reserve for net revaluation under the equity value method to the extent that the carrying amount exceeds the acquisition value.

Subsidiaries with a negative carrying equity value are measured to DKK 0 and any amounts due from these enterprises are written down by the company's share of the negative equity to the extent that it is deemed to be irrecoverable. If the carrying negative equity value exceeds accounts receivable, the residual amount is recognised under provision for liabilities to the extent that the company's has a legal or actual liability to cover the subsidiary's deficit.

ACCOUNTING POLICIES

Deposits include rental deposits, which are recognised and measured at amortised cost. Deposits are not depreciated.

Other receivables include sales-type leases and are measured at the discounted value of future payments on the lease contract.

Impairment of fixed assets

The carrying amount of intangible fixed and tangible assets together with fixed assets, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the net realisable value is lower than the carrying amount, the assets are written down to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

Inventories

Inventories are measured at cost using the FIFO-principle. If the net realisable value is lower than cost, the inventories are written down to the lower value.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The cost of finished goods and work in progress includes cost of raw materials, consumables, direct payroll cost and indirect production cost. Indirect production costs include indirect materials and payroll and maintenance and depreciation of the machines, factory buildings and equipment used in the production process, cost of factory administration and management and capitalised development costs relating to the products.

The net realisable value of inventories is stated at sales price less completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price.

Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is reduced by impairment losses to meet expected losses.

Contract work in progress

Work in progress on contract is measured at the sales value of the work performed. The sales value is measured on the basis of the degree of completion on the balance sheet date and the total anticipated revenue related to the specific piece of work in progress.

The specific piece of work in progress is recognised in the Balance Sheet as receivables or payables, depending on the net value of the selling price less progress invoicing and progress payments.

Costs relating to sales work and obtaining of contracts are recognised in the Income Statement as and when they are incurred.

Accruals, assets

Accruals recognised as assets include costs incurred relating to the subsequent financial year.

ACCOUNTING POLICIES

Other provisions for liabilities

Other provisions for liabilities include the expected cost of warranty commitments, loss on work in progress, restructuring etc. and deferred tax.

Warranty commitments include liabilities for improvement of work within the warranty period of 1 to 5 years. The provision for liabilities is measured and recognised on the basis of experience with warranty work.

When it is likely that the total costs will exceed the total income on the contract work in progress, a provision is made for the total loss that is anticipated for the contract. The provision is recognised as a cost under production costs.

Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

The Company is subject to joint taxation with Danish group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the on account tax scheme. Joint taxation contributions receivable and payable are recognised in the Balance Sheet under current assets and liabilities, respectively.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date would be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Liabilities

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the income statement over the term of loan.

Amortised cost of current liabilities usually corresponds to nominal value.

ACCOUNTING POLICIES

Derivative financial instruments

Derivative financial instruments are initially recognised in the Balance Sheet at cost and subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are recognised under receivables and payables, respectively.

Change in fair value of derivative financial instruments classified as and complying with the criteria for hedging of the fair value of a recognised asset or a recognised liability is recognised in the Income Statement together with possible changes in the fair value of the hedged asset or the hedged liability.

Change in fair value of derivative financial instruments classified as and complying with the criteria for hedging of future cash flows is recognised under receivables or payables and under equity. If the future transaction results in recognition of assets or liabilities, all amounts recognised under equity are transferred from equity and recognised under the initial cost of the asset or liability, respectively. If the future transaction results in income or expenses amounts recognised under equity are transferred to the Income Statement for the period where the Income Statement was affected by the hedged amount.

As regards possible derivative financial instruments, which do not comply with the criteria for classification as hedging instruments, any changes in fair value are recognised on a current basis in the Income Statement.

Foreign currency translation

Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the income statement as a financial income or expense.

If the foreign exchange position is considered to hedge future cash flows, the unrealised exchange adjustments are recognised directly in the equity.

Receivables, payables and other monetary items in foreign currencies that are not settled on the balance sheet date are translated at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the exchange rate at the time of occurrence of the receivables or payables is recognised in the income statement as financial income or expenses.

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

CASH FLOW STATEMENT

With reference to Section 86(4) of the Danish Financial Statements Act, the company has not prepared a cash flow statement.