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LINCO FOOD SYSTEMS A/S

VESTERMØLLEVEJ 9, 8380 TRIGE

ANNUAL REPORT

1 JANUARY - 31 DECEMBER 2019

The Annual Report has been presented and adopted at the Company's Annual General Meeting on 7 September 2020

Petra Baader

CVR NO. 19 18 95 11

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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

Jette Nordentoft
Claus Østergaard Askjær
Hugo Holst Dissing

Auditor

BDO Statsautoriseret revisionsaktieselskab
Kolding Åpark 8A, 7. sal
6000 Kolding

General Meeting

The Annual General Meeting is held on 7 September 2020, at the company's address.

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 2019.

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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

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, 7 September 2020

Board of Executives

Jette Nordentoft	Claus Østergaard Askjær	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 2019, 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 at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 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 Responsibilities 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.

- 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, 7 September 2020

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Lars Kruse
State Authorised Public Accountant
MNE no. mne11677

FINANCIAL HIGHLIGHTS

	2019 DKK '000	2018 DKK '000	2017 DKK '000	2016 DKK '000	2015 DKK '000
Income statement					
Net revenue	559.723	558.767	732.812	594.576	552.022
Gross profit/loss	73.807	56.190	87.559	76.991	84.072
Operating profit/loss	1.069	-24.151	6.769	-2.530	5.183
Financial income and expenses, net	-4.748	-3.303	-2.098	-2.347	-3.222
Profit/loss for the year before tax	31.518	-10.032	19.393	15.505	16.253
Profit/loss for the year	31.835	-4.542	17.221	15.413	16.422
Balance sheet					
Balance sheet total	562.705	545.040	497.713	467.674	422.981
Equity	248.504	214.236	213.508	209.865	196.466
Invested capital	149.915	119.389	138.467	98.403	95.013
Investment in tangible fixed assets	-672	-913	-4.782	-3.057	-10.344
Average number of full-time employees	**281**	**300**	**319**	**307**	**293**
Ratios					
Gross margin	13.2	10.1	11.9	12.9	15.2
Profit margin	0.2	-4.3	0.9	-0.4	0.9
Rate of return	0.8	-18.7	5.7	-2.6	8.5
Solvency ratio	44.2	39.3	42.9	44.9	46.4
Return on equity	13.8	-2.1	8.1	7.6	8.5

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

Gross margin: $\dfrac{\text{Gross profit x 100}}{\text{Net revenue}}$

Profit margin: $\dfrac{\text{Operating profit/loss x 100}}{\text{Net revenue}}$

Rate of return: $\dfrac{\text{Profit/loss on ordinary activities x 100}}{\text{Average invested capital}}$

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: $\dfrac{\text{Equity, at year end x 100}}{\text{Total equity and liabilities, at year end}}$

Return on equity: $\dfrac{\text{Profit after tax x 100}}{\text{Average equity}}$

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 2019 has not been affected by unusual circumstances.

Development in activities and financial position
The company experienced an increase in the turnover in 2019, which is due to improved market conditions in developed markets.

The net result including the result of equity investments in group companies is considered satisfactory.

Profit/loss for the year compared to future expectations
The results and financial development of the company were as foreseen.

The company achieved a profit of DKK 31.8m in 2019 against DKK -4.5m in 2018. The result for 2019 is considered satisfactory.

Significant events after the end of the financial year
In March 2020 the World Health Organization declared the global novel coronavirus disease 2019 (COVID-19) outbreak a pandemic, and the effect of this pandemic may impact the results and financial condition of the Company's customers, as well as the Company. In addition, as of the date the financial statements were available to be issued, there is uncertainty with respect to the extent or impact of restrictions or other measures that have been and may be implemented by local, state, federal or foreign governments or other parties, and how those measures may impact the Company and its customers.

Special risks
The company is not engaged in any legal action.

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 production of safe food. 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 2019 level is expected.

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.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2019 DKK	2018 DKK '000
NET REVENUE	1	**559.723.214**	**558.767**
Production costs	2, 3	-485.915.968	-502.577
GROSS PROFIT/LOSS		**73.807.246**	**56.190**
Distribution costs	2	-39.139.053	-47.764
Administrative expenses	2, 4	-33.599.214	-32.472
OPERATING PROFIT/LOSS		**1.068.979**	**-24.046**
Other operating expenses		0	-105
OPERATING PROFIT/LOSS		**1.068.979**	**-24.151**
Result of equity investments in group companies		35.197.376	17.422
Financial income		29.776	15
Financial expenses		-4.777.650	-3.318
PROFIT/LOSS BEFORE TAX		**31.518.481**	**-10.032**
Tax on profit/loss for the year	5	316.226	5.490
PROFIT/LOSS FOR THE YEAR	6	**31.834.707**	**-4.542**

BDO

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2019 DKK	2018 DKK '000
Development projects completed		86.674.544	87.762
Intangible fixed assets acquired		3.291.774	4.170
IT		858.839	1.198
Development projects in progress		74.666.656	70.601
Intangible fixed assets	7	**165.491.813**	**163.731**
Land and buildings		10.490.086	10.895
Production plants and machinery		791.525	2.494
Other plants, machinery, tools and equipment		392.937	893
Tangible fixed assets	8	**11.674.548**	**14.282**
Fixed asset investments		166.062.315	149.114
Rent deposit and other receivables		9.803.598	10.301
Fixed asset investments	9	**175.865.913**	**159.415**
FIXED ASSETS		**353.032.274**	**337.428**
Raw materials and consumables		2.897.382	2.908
Work in progress		6.576.503	10.123
Finished goods and goods for resale		55.384.063	57.486
Prepayments for goods		1.658.836	2.836
Inventories		**66.516.784**	**73.353**
Trade receivables		37.434.154	41.812
Contract work in progress	10	27.473.158	19.374
Receivables from group enterprises		48.262.412	46.561
Other receivables		11.899.909	13.778
Receivables corporation tax		4.090.015	2.783
Prepayments and accrued income	11	2.292.666	4.805
Receivables		**131.452.314**	**129.113**
Cash and cash equivalents		**11.703.501**	**5.146**
CURRENT ASSETS		**209.672.599**	**207.612**
ASSETS		**562.704.873**	**545.040**

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2019 DKK	2018 DKK '000
Share capital	12	10.374.870	10.375
Reserve for net revaluation according to equity-method		48.302.657	31.354
Reserve for provision for development costs		87.340.325	80.173
Retained profit		102.485.716	92.334
EQUITY		**248.503.568**	**214.236**
Provision for deferred tax	13	13.375.200	12.899
Other provisions for liabilities	14	2.633.635	2.736
PROVISION FOR LIABILITIES		**16.008.835**	**15.635**
Mortgage debt		2.656.448	4.073
Other liabilities		44.499.618	18.637
Accruals and deferred income		1.672.060	1.672
Lease liabilities		0	100
Long-term liabilities	15	**48.828.126**	**24.482**
Short-term portion of long-term liabilities	15	1.468.956	1.631
Bank debt		63.002.136	71.974
Prepayments received from customers	10	53.135.736	76.685
Trade payables		59.628.161	64.258
Payables to group enterprises		20.325.599	20.243
Other liabilities		51.803.756	55.896
Current liabilities		**249.364.344**	**290.687**
LIABILITIES		**298.192.470**	**315.169**
EQUITY AND LIABILITIES		**562.704.873**	**545.040**

	Note
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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 2019	10.374.870	31.353.844	80.172.643	92.333.786	214.235.143
Foreign exchange adjustments		2.286.746		-634	2.286.112
Derivative financial instruments at fair value				147.606	147.606
Proposed distribution of profit		35.197.376		-3.362.669	31.834.707
Carried forward to provision for development costs			7.167.682	-7.167.682	
Dividends from subsidiaries		-20.535.309		20.535.309	
Equity at 31 December 2019	**10.374.870**	**48.302.657**	**87.340.325**	**102.485.716**	**248.503.568**

NOTES

	2019 DKK	2018 DKK '000	Note
Net revenue			1
Segment details (geography)			
Net revenue, Denmark	7.182.609	3.924	
Net revenue, Export	552.540.605	554.843	
	559.723.214	**558.767**	

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.

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 interrelastionship between the competitors.

	2019	2018	Note
Staff costs			2
Average number of employees			
281 (2018: 300)			
Wages and salaries	149.502.244	159.673	
Pensions	10.599.532	11.114	
Social security costs	1.828.634	908	
	161.930.410	**171.695**	
Remuneration of management	5.195.011	5.679	
Remuneration of board of directors	10.000	10	
	5.205.011	**5.689**	

Special items 3

In 2019, impairment losses of 2,668 TDKK of specific development projects are included in the production costs.

	2019	2018	Note
Fee to statutory auditors			4
Total fee:			
BDO	618.923	544	
	618.923	**544**	
Specification of fee:			
Statutory audit	441.000	436	
Tax consultancy	27.000	27	
Other services	150.923	81	
	618.923	**544**	

NOTES

	2019 DKK	2018 DKK '000	Note
Tax on profit/loss for the year			5
Calculated tax on taxable income of the year	-931.781	-1.773	
Adjustment of tax for previous years	0	36	
Adjustment of deferred tax	615.555	-3.753	
	-316.226	**-5.490**	
Proposed distribution of profit			6
Allocation to reserve for net revaluation according to equity-method	35.197.376	17.423	
Retained earnings	-3.362.669	-21.965	
	31.834.707	**-4.542**	

Intangible fixed assets 7

	Development projects completed	**Intangible fixed assets acquired**
Cost at 1 January 2019	119.331.337	4.389.036
Transfer	14.064.389	0
Additions	1.202.601	0
Cost at 31 December 2019	**134.598.327**	**4.389.036**
Amortisation at 1 January 2019	31.568.984	219.453
Impairment losses	2.668.071	0
Amortisation for the year	13.686.728	877.809
Amortisation at 31 December 2019	**47.923.783**	**1.097.262**
Carrying amount at 31 December 2019	**86.674.544**	**3.291.774**

	IT	**Development projects in progress**
Cost at 1 January 2019	24.854.491	70.600.271
Transfers to/from other items	0	-14.064.389
Additions	314.934	22.940.609
Disposals	0	-4.809.835
Cost at 31 December 2019	**25.169.425**	**74.666.656**
Amortisation at 1 January 2019	23.655.834	0
Amortisation for the year	654.752	0
Amortisation at 31 December 2019	**24.310.586**	**0**
Carrying amount at 31 December 2019	**858.839**	**74.666.656**

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 8

	Land and buildings	Production plants and machinery	Other plants, machinery, tools and equipment
Cost at 1 January 2019	64.707.987	42.146.551	9.985.622
Additions	559.185	60.738	52.424
Cost at 31 December 2019	**65.267.172**	**42.207.289**	**10.038.046**
Depreciation and impairment losses at 1 January 2019	53.813.270	39.653.582	9.093.686
Depreciation for the year	963.816	1.762.182	551.423
Depreciation and impairment losses at 31 December 2019	**54.777.086**	**41.415.764**	**9.645.109**
Carrying amount at 31 December 2019	**10.490.086**	**791.525**	**392.937**

Value of recognised assets not owned by the company: 55.863 DKK

Fixed asset investments 9

	Fixed asset investments	Rent deposit and other receivables
Cost at 1 January 2019	117.759.658	10.300.624
Disposals	0	-497.026
Cost at 31 December 2019	**117.759.658**	**9.803.598**
Revaluation at 1 January 2019	31.353.845	0
Exchange adjustment	2.286.746	0
Dividend	-20.535.309	0
Revaluation and impairment losses for the year	35.197.375	0
Revaluation at 31 December 2019	**48.302.657**	**0**
Carrying amount at 31 December 2019	**166.062.315**	**9.803.598**

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

	2019 DKK	2018 DKK '000	Note
Contract work in progress			10
Contract work in progress	236.586.725	203.668	
Invoiced an account	-262.249.303	-260.979	
Contract work in progress, net	**-25.662.578**	**-57.311**	
Recognized as:			
Contract work in progress (assets)	27.473.158	19.374	
Prepayments from customers (liabilities)	-53.135.736	-76.685	
	-25.662.578	**-57.311**	

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.

	2019 DKK	2018 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.

	2019 DKK	2018 DKK '000
Deferred tax at 1 January 2018	12.898.856	17.439
Deferred tax for the year, Income Statement	371.905	-3.753
Adjustment previous years	104.439	-787
Provision for deferred tax 31 December 2019	**13.375.200**	**12.899**

	2019 DKK	2018 DKK '000	
Other provisions for liabilities			14
0-1 year	2.633.635	2.736	

Other provisions for liabilities comprise liabilities of ordinary warranty on the Company's products.

NOTES

Note

Long-term liabilities 15

	31/12 2019 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2018 total liabilities	Current portion at the beginning of the year
Mortgage debt	4.025.404	1.368.956	0	5.441.446	1.368.462
Other liabilities	44.499.618	0	0	18.637.000	0
Accruals and deferred income	1.672.060	0	0	1.672.060	0
Lease liabilities	100.000	100.000	0	362.444	262.444
	50.297.082	**1.468.956**	**0**	**26.112.950**	**1.630.906**

Contingencies etc. 16

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 72 months of DKK ('000) 928.

The company has subordinated a portion of DKK ('000) 7,450 of its receivables balance from a subsidiary in favor of the subsidiary's other creditors.

Joint liabilities

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

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

Charges and securities 17

Debt to mortgage provider, DKK ('000) 4,025 is secured by mortgages totalling DKK ('000) 22,001 comprising land, and buildings with the booked value of DKK ('000) 10,490 as of 31 December 2019. 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) 103,578.

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 2019 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 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 %

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 receivables, 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.

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.

ACCOUNTING POLICIES

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.

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.